THE Freeman

IDEAS ON LIBERTY

SEPTEMBER 1956

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REDUCE TAXPAYER BURDEN AND UNFAIR COMPETITION

. . . say small businessmen in local trucking throughout nation . . .

NEW YORK WORLD-TELEGRAM AND SUN, JULY 6, 1956.

Truckmen Would Halt Parcel Post Subsidy

Favorable action on a Hoover Commission recommendation that would eliminate taxpayer subsidies to parcel post shippers was urged upon Congress today by the Local Cartage National Conference.

A resolution authorized by LCNC's 1956 convention says the proposed legislative action would "further remove government from unnecessary, unhealthy and unfair competition" with privately owned transportation businesses.

General taxpayers as well as local tax-paying transport businesses benefited materially from 1951 laws to curb both large parcel post deficits and unfair competition, the LCNC reported.

Privately owned carriers not only pay local, state and federal business and income taxes, state vehicle license fees, and state and federal gasoline and other taxes, but collect for the federal government a 3 percent transportation excise tax, said F. H. Floyd, general manager of LCNC, an affiliate of the American Trucking Associations.

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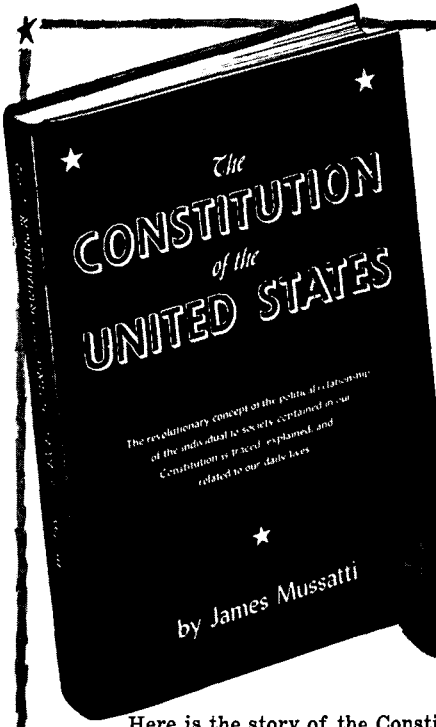

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OF THE UNITED STATES

by James Mussatti

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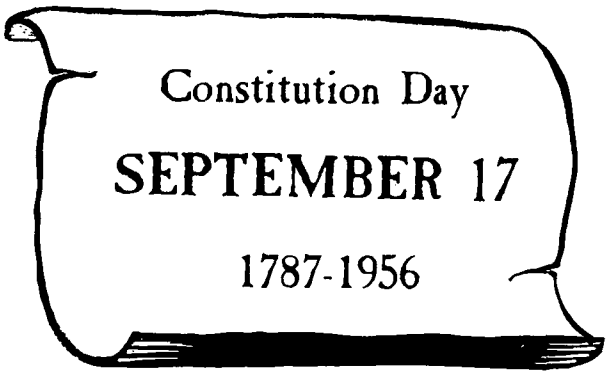

Libertarians and the Constitution

Charles Hull Wolfe

FOR OVER a century after its signing in September 1787, the United States Constitution was upheld by a citizenry which, by and large, appreciated it both in letter and spirit, and sought to live according to its ideal of limited government protecting individual rights.

But toward the end of the nineteenth century, and especially since the 1930's, more and more Americans began to accept a theory of government—call it statism, collectivism, socialism, or what you will—in direct opposition to the individualist philosophy of our Founding Fathers. Unfortunately, many of those who held to the philosophy of freedom which underlies our national charter did not understand it well enough to competently defend the principles of Constitutional government.

Role of Libertarians

Who, then, remain—on this 169th anniversary of the Constitution—as the genuine upholders of "that magnificent document"? It would seem that the most able supporters might well be the libertarians—those rooted in a clear perception of the significance of the individual, his inclinations

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Mr. Wolfe is a member of the staff of the Foundation for Economic Education.

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toward self-sufficiency and self-government, and his deep beliefs in the right to own and exchange the fruits of his labors without government intervention.

Thinkers who accept these ideas entertain views closely allied to those held by the strict constructionists among the Constitution framers. As much or more than any others, these libertarians understand the reasons for the restrictions on federal government imposed by our national charter.

Libertarian Holds Back

Yet it is a simple fact that rarely indeed does the libertarian rise up today as a stanch and vocal champion of the U.S. Constitution. Rather, this authentic liberal appears to have pushed the Constitution into the background of his mind. He is apt to mention it seldom, and even then with only mild endorsement. For almost a year now I have been asking myself: Why this neglect of Constitutional principles?

I have since concluded that the most incisive answer to the question lies in the conviction, apparently entertained by many able students, that libertarianism and Constitutionalism conflict — that there is essential opposition between the philosophy of freedom and our national charter, and that hence, one cannot consistently be

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both a libertarian and a Constitutionalist.

This is a view which I once held. It is a position which can be supported by an imposing array of argument, and I am quite aware that each libertarian must decide the issue for himself. But I now sincerely believe that the apparent clash between libertarianism and the Constitution is superficial rather than fundamental; that each has its necessary place, and is important — even indispensable —to the other.

Idea and Identification

Libertarianism is a philosophical idea or ideal; the original Constitution is its highest manifestation or identification as law ever experienced by a nation. This true liberalism acts as cause; our fundamental federal document appeared as effect. The philosophy of freedom might be termed an ideological discovery; our national charter is the legal means by which that discovery is founded or established in public life.

Thus the two—the libertarian philosophy and our Constitution as originally conceived and interpreted—can be viewed as an inseparable whole: cause and effect, idea and identity, a discovery and its founding.

One without the other is more or less ineffective and incomplete. The libertarian philosophy without its manifestation as law tends to appear as mere theorizing, while the Constitution, if it had not been preceded by the philosophy of freedom as conceived by the Founding Fathers and expressed in the Declaration of Independence, would have been as worthless as the charters of most other nations. By the same token, our Constitution today, since it is no longer sustained by a widespread libertarian understanding, is rapidly losing its practical value.

Objection Is Raised

"But," a student of liberty says, "the U. S. Constitution never was a direct manifestation of the libertarian philosophy as I understand it. If my sense of libertarianism be termed *cause*, then the *effect* as law would be quite different from our federal Constitution. In particular, such a charter would place far more severe and specific limitations on the prerogatives of government—greater restrictions on its powers to tax and to spend; and outright elimination of its now-presumed mandates to transfer wealth, to subsidize, to regulate the economy, and to engage in a host of business activities."

"Thus," says the objector, "I cannot accept your explanation of libertarianism and the Constitu-

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tion as cause and effect, or idea and its legal identification—if by that idea or cause you mean the libertarian philosophy as I see it."

Interpretation and Amendment

On the surface this is a reasonable objection, but I believe it proceeds either from insufficient recognition of the extent to which the original Constitution *did* limit the federal government, or else from an inadequate appreciation of the actual (and desirable) *flexibility* of the Constitution, resulting from the combined influence of Constitutional *interpretation* and Constitutional *amendments*.

In 1787, when our national charter was created, it represented the highest degree of libertarian thinking that the people were willing to accept and live by. Since then, by amendment and interpretation, the Constitution could have moved either of two ways: toward even more limitations on government (and hence toward still greater individual freedom), or toward fewer restrictions on the political instrument. Of course we know that the movement has been in the latter direction.

Admittedly, the Constitution as currently amended and interpreted, expresses the libertarian ideal only to a minimum degree. It has been twisted and bent to serve the purposes of collectivism. But this is no accusation against the original document. Repeatedly it has been interpreted and amended in the *wrong* direction. But there is nothing whatsoever in the original charter which ever prevented it—or which now prevents it—from being interpreted and amended more and more in the *libertarian* direction, i.e., toward less governmental interference with individual affairs and economic actions.

Taxes and the Constitution

Let me briefly illustrate this important point in connection with just one crucial aspect of our national charter: its provisions concerning the federal government's power to tax.

The original Constitution very severely curtailed the taxing power by laying down a concept of "uniform taxation" in which "direct taxes shall be apportioned among the several States . . . according to their respective numbers" (Article I, Section 2), not according to their ability to pay!

In the years since the framing of the Constitution, if the people had been ready for still more limited government revenue, there was nothing in the Constitution preventing an amendment in that direction.

Instead, the decay of libertarian understanding in America, and the gradual acceptance of fed-

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eral paternalism (resulting in increased expenses) prompted a demand for a progressive, unlimited personal income tax, which appeared in 1913 as the Sixteenth Amendment. This, as the student of liberty knows, permitted vast strides away from limited government and toward collectivism.

Forsake the Constitution?

But just because our Constitution has been mutilated—in this and other instances—is that reason for the libertarian to abandon it? As a matter of principle, do we forsake anything of real value just because there has been an attempt (perhaps temporarily successful) to taint or tarnish it?

If we abandon whatever collectivism seeks to corrupt, we may finally have to forsake even communication itself, for collectivism persistently attempts to change the meaning of words (as for instance, the word "liberal") altering definitions to suit its own purposes.

Just because the original Constitution does not limit the federal government as severely as we might like, (judging by our own ideals) is that reason to dismiss it, especially at a time when the original document is still much nearer the libertarian standard than is popular opinion?

In Constitutional provisions we can find a legal anchor to which we can tie our idealism. Once this country begins to live up to the governmental restrictions imposed by the Constitution, we can go on from there and seek still further limitations on the political instrument.

As libertarians, we always can —and should—state our own ideal sense of things, even when it disagrees with our national charter; but at the same time, would it not be well to understand and point out those ways in which the Constitution comes closer to the ideal than does the status quo?

In so doing, we would take ourselves out of the position that permits opponents to label one a "quaint idealist" or a "dreamy theorist" or a "mere philosopher"; and we bring to our lofty perceptions of freedom the virility of law and the realism of history. Thus we document the fact that libertarianism, to a remarkable degree, already has been embodied in the fundamental law of this land, as seen in a strict interpretation of the inspired charter completed on that long-ago autumn day—September 17, 1787.

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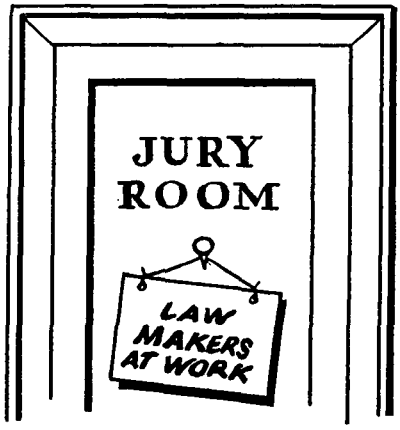
Jury Law of the Road

Richard C. Baker



MUCH is heard today about judge-made law. This type of legislation is created in a somewhat negative fashion. It comes into being through a court decision vacating on constitutional grounds a policy established by the legislature and thereby in effect instating a conflicting one.

But it is not only the judges who are being accused of legislative usurpation; our juries are having a similar charge leveled against them. It is alleged that they, too, now and then thrust themselves into the roles of lawgivers and undertake to remake laws to fit their own ideas.

Judges use open nullification to achieve their objectives, while jurors rely on a subtle kind of sabotage to attain theirs. When juries disapprove of a law, they slowly sap its vitality through a series of enervating verdicts until it finally becomes but a pale copy of its former self. Their continued refusal to enforce a particular law usually induces the legislature to revise it to make it conform to the jury's conception of what it should be like.

One of the most notable examples of jury-made law in the United States today has grown out of motor vehicle accidents caused by negligence. The law on the subject, as it has stood for some time, decrees that a person injured through the careless operation of a vehicle may secure redress from the owner or driver, provided the complainant himself is without fault. If he is blameworthy in the slightest degree for his own misfortune, he is precluded from recovering compensation. The law asserts further that the

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plaintiff must bear the burden of proof in the prosecution of his claim, and also must prove his case by a preponderance of evidence. There are, to be sure, a few states which use the rule of comparative negligence. Under this doctrine, the plaintiff may still recover even though he is at fault, if his misfeasance is less serious than that of the defendant. The amount of damages, however, in that case is less than it would have been had the plaintiff been free from all blame.

JURIES formerly gave careful weight and consideration to all of the pertinent factors here mentioned. But more recently, they seem to have lost interest in these elements and show only a minimum of concern about them. In fact, when judges and lawyers commence discussing such matters, the jurors become restless and impatient and start squirming in their chairs. To them, such talk is highly irrelevant and pointless and serves only to befog the main issue. In the minds of the jurymen all that they really need to know is the answer to two questions, and they will be enlightened sufficiently to render their verdict. These questions are: How badly was the victim hurt, and was the defendant certainly insured? If, by any chance, the defendant should lack insurance coverage, their task might be a little more difficult.

Two recent developments are responsible for this change of mood on the part of juries. One is that motor vehicle accidents have become so common that they can happen to anyone, including a juror. They have ceased to be those isolated and rare tragedies which occur perhaps once in a generation in a neighborhood. So frequently do they now take place that they are considered only slightly less certain than death, taxes, and the poor. They have become, as it were, almost a part of the warp and woof of that phenomenon known as the American way of life. The second development is the general practice of motorists to carry casualty insurance, which at least gives the impression that the defendant is an insurance company rather than an individual.

The only occasions on which the juries will now attach much importance to the question of negligence, contributory negligence, burden of proof, and similar factors are those where the defendant counterclaims that the plaintiff caused him injury, or where it is evident that the defendant is not insured. In the first instance, there are actually two defendants involved, between whom the jury

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must choose, and it will try in all likelihood to give due weight to the matter of culpability before determining which one should be held liable.

In the second case, where the defendant must satisfy out of his own pocket any judgment obtained against him, the jury doubtless will want to be sure that he has been remiss before saddling him with such a burden. However, some jurors, especially the insurance-minded, might feel that a person so foolish and inconsiderate as to venture upon our hazardous highways without adequate coverage should be required to pay the damages of any accident to which he is a party, fault or no fault. Such an individual, they might argue, by creating a situation wherein an injured motorist might be denied compensation due him, is a serious menace to the road and deserves no indulgence.

AGAINST THE BACKGROUND of these developments, the average juror reasons about as follows. The plaintiff has been hurt in an automobile accident, and therefore is entitled to recoup his losses in one way or another. The juror knows that if he were in the plaintiff's place, he would expect restitution from some source. The most likely source to which to turn, it would seem, would be the defendant because it was his car, after all, which caused the injury. There may be, to be sure, some little question about fault, but that factor now is of small importance; for whether the defendant is or is not to blame, he will not be compelled to expend his own money. The obligation to pay has been imposed on the insurance company, which has been collecting millions of dollars in premiums from thousands of people to cover such cases.

Consequently, the whole matter boils down to this: If a verdict is found against the defendant, the plaintiff will be reimbursed, the defendant will lose nothing, and the insurer will be able to make the necessary amends without causing even a dent in its huge assets. In other words, at least one person will be made very happy, and no one will become especially aggrieved. What must happen to insurance rates as a result of this philosophy seems to have been largely ignored.

What the juries are actually accomplishing through their verdicts therefore is a partial revision of the law of automobile negligence. More particularly, they are discarding the old rule requiring the plaintiff to prove affirmatively negligence by the defendant, and in its place are substitut-

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ing a new one which virtually presumes negligence on the part of the latter. This means that all a plaintiff may be required soon to do is to allege lack of due care, and force the defendant to rebut the allegation by positive proof. Stated a little differently, the burden of proof, for all intents and purposes, is being transferred from the complainant to the defendant, contrary to an ancient legal principle.

The English courts have already changed the law of automobile negligence in at least one important respect. They have done so in order to give expression to what they believe to be a new public attitude toward the subject. These courts have all but rejected the rule requiring affirmative proof of lack of due care as it applies to certain accident cases, and have taken to inferring negligence in such instances.

Lord Justice Denning of the English Lords of Appeals, in an article in the November 1955 issue of the *American Bar Association Journal*, shows how this latest trend of thought is taking shape. He relates a recent occurrence in England where two cars one night crashed into each other, killing both male drivers. There were no witnesses to the accident other than the victims; nor was there any proof of negligence on the part of either man. The Court of Appeals, however, rose to the occasion, and by exercising a rare bit of ingenuity, came up with the inference that both men were at fault; for otherwise how could the accident have occurred? It also created the fiction that each man was equally to blame for the other's demise. Once these two propositions were established, it was easy to find that each widow was entitled to an award because of the delinquency of the other lady's husband. Since England has compulsory automobile insurance, the estate of neither decedent was held liable; the insurers of the respective drivers were compelled to do the paying.

The Court here not only did violence to a basic rule of negligence but conveniently overlooked a host of possibilities as likely as absence of due care which might have caused the accident. But according to the Lord Justice, if the Court had not decided as it did, "See what . . . would have happened . . . . If those two widows had lost their claims, it would mean that the insurance companies would go scot free and the widows would get nothing." In other words, the Court evidently felt that it had a duty to concoct a legal theory, however farfetched it might be, whereby the widows could recover and the insurers

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would be forced to make restitution, regardless of all other considerations.

THERE IS a school of thought in this country which insists that juries, judges, and the people are all lagging badly in their thinking with respect to one phase of motor vehicle accidents. This aspect concerns the extent of compensation coverage. The members of this school contend that the general character of automobile disasters has so changed that all parties to them, including the wrongdoer or tort-feasor, should be paid for their injuries. Such a proposal may seem unjust, unrealistic, and even fantastic; but it is being pressed earnestly by this group, which has constructed a very attractive, though perhaps specious, argument in its support.

The advocates of this scheme maintain that automobile accidents are one of the products of our modern social order. Specifically, they are the result of two recent growths inour society. One of these is the extreme mobility of our people; the other is the widespread demand for high-powered cars. The public insists upon the use of these faster motor vehicles although fully aware that they are a constant danger to the millions who travel our highways. This condition had made the motorist a captive or innocent victim, whichever you prefer, of society, and has rendered him virtually powerless to protect himself or to save himself from injuring others. Consequently, injuries which he may cause or suffer stem not from any error or omission of his but from an inherently dangerous situation foisted upon him by the social organization which has made him its prisoner. This social organization, being the villain in the piece, so continues the argument, should provide a compensatory system to take care of the losses experienced in motor vehicle mischances.

THE RATIONALE of this proposal is not of recent origin. It came into being in connection with industrial injuries about a half-century ago, and was soon translated into an appropriate statute. The law in question established a workmen's compensation system, under which a wage earner became entitled to redress for those impairments sustained in the course of his employment without regard to the existence of fault on his part or a lack of it on the part of his employer. The only times when he would fail of an award would be those occasions where the injury was willfully self-inflicted or had resulted from his own intoxication. Today nearly every state in

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the Union has some sort of a program of this type.

In most states, industries are required to be insured against industrial injuries through either private insurance companies or a comparable state agency. Such injuries are compensated in accordance with a scale of remuneration set up by law. The loss of an eye is valued at one figure, the deprivation of an arm or leg at another, and so on. The amounts to be paid and the length of time the payments run vary with the extent and duration of the disability. Since fault is not a factor and the sums to be paid are calculated on a more or less automatic basis, administrative agencies are substituted for the regular courts in settling claims. It is true that a worker might secure a larger amount of money if he were left to his common law right of action against his employer, but in such an event he would also run the risk of obtaining absolutely nothing. Under the workmen's compensation system his award is certain and unfailing.

IF ALL automobile injuries are to be compensated without regard to fault, some innovations in the law similar to those governing industrial accidents may be expected. In the first place, compulsory insurance for all operators must be instituted so that all who may partake in the benefits will be made to share in the cost. In the second place, with the advent of the compulsory feature, limits will have to be placed upon the awards, as is done in the case of industrial mishaps; otherwise there will be a tendency for the awarding agency, be it administrative or judicial, to allow raids on the insurance funds, even to a greater extent than our juries now permit. In the third place, it might be proposed to supplant the courts with an administrative agency to determine claims.

In the past, when negligence was an essential ingredient of automobile accident claims and it was thought that the proper determination of fault involved an interplay of certain subtle and imponderable qualities which only a jury possessed, a cold impersonal administrative board was held incompetent to make correct decisions in such cases. But with the passing of the culpability factor, leaving only the question of extent of injuries within limits prescribed by law to be decided, the people probably would accept for this task a group of experts capable of acting more expeditiously and effectively than a slower moving judicial body.

There can be little doubt that the public attitude toward vehicle

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accidents has been undergoing a marked transformation. The alarming toll of life, limb, and property taken on our highways has been mainly instrumental in bringing about this conversion. This appalling circumstance has produced a sense of futility and frustration in the average citizen, and made him feel inadequate to cope with the problem as an individual. He has become so baffled by its innumerable implications, ramifications, and effects that he is not adverse to shedding the responsibilities involved and shifting them to the collective shoulders of the community. More and more is he becoming enamored of the notion advanced by some people that he is but the unfortunate victim of a sorry condition imposed on him by society, and therefore should be absolved from all accountability in connection therewith. Such a thought serves to lift a tremendous burden from both his nervous system and his conscience.

THE INSTALLATION of an automatic compensatory program for all motor vehicle injuries presents an intriguing prospect to the motorist. Under this scheme, he would no longer be forced to traverse the long tortuous path of a court trial, perhaps only to find at the end of it that his offender is uninsured and hence financially irresponsible. Nor would he have to worry about a jury bringing in a verdict for damages far in excess of his coverage should he himself be the defendant. Moreover, even where he is the culprit, he can be sure of restitution for his own losses. Call such a scheme socialism, if you will, but John Q. Motorist is commencing to cast approving glances in its direction.

If the ordinary juror were asked whether he believes in socialism, he would throw up his hands in horror at the thought. He probably would use some choice and colorful language to express his denial. Yet through the medium of his verdicts he is laying the groundwork for a species of socialization, which requires all drivers collectively to assume the liability of the individual operator without regard to the element of fault. In short, he is coming close to substituting a public responsibility for a personal one. The juror has not reached the stage in his thinking where he is ready to requite the wrongdoer for his injuries but that phase may not be as far off as some people might believe. In any event, one thing seems certain: that the juror is in the process of helping to write a new and important chapter in the law of the road.

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The Great Swindle

Henry Hazlitt

WE LIVE in the Age of Inflation. It has become a fixed idea among governments that their paramount economic aim must be to maintain "full employment," and that full employment can be maintained only by deficit financing, artificially cheap money, or direct recourse to the printing press.

Once under way, inflation sets in motion powerful special interests which demand its continuance. For it benefits some groups of the population at the expense of all the rest. Inflation is a tax — the cruelest and most wanton of all taxes. Under it, all creditors are systematically swindled.

Cynical Defense

"He that would hang his dog," says an old proverb, "gives out first that he is mad." He that would swindle a creditor must first give him a bad name. The late Lord Keynes did this by calling him the "rentier." He implied that the rentier was simply an idle plutocrat who lived on unearned interest at the expense of the struggling workers. In his *General Theory* (page 376), Keynes spoke of "the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital. Interest today rewards no genuine sacrifice."

But who in the modern world *are* the creditors, the "rentiers"? They include, in addition to the holders of mortgages and corporate bonds, the thrifty, the small people who put their money in savings deposits or life-insurance policies, and all the owners of government bonds, who were induced to take these bonds for patriotic reasons. And who are the debtors who are being relieved of the allegedly dreadful burden of having to pay interest and repay capital in currency units of the same value as those they borrowed? They include the big corporations, the big holders of common stocks, and the speculators who have learned how and when to jump in and out and exploit the value of a depreciating currency.

I append a table compiled by Franz Pick for his forthcoming 1956 edition of *Pick's Currency Yearbook*. This shows the depre-

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ciation of 53 currencies in the ten years from 1946 to 1955, as measured by each government's own cost-of-living index. This table, it will be noted, shows that the U. S. dollar, the world's monetary pivot, shrank 27 per cent in buying power over the past decade. The British pound sterling lost 35 per cent; the French franc 66 per cent. The currency units of Chile, Paraguay, Bolivia, and Korea had their purchasing power practically wiped out.

Some of the countries whose currencies suffered worst, such as Formosa and Korea, were struggling with special war or defense problems. But this was obviously not true in Chile, Paraguay, or Bolivia. The truth is that this shocking swindle by governments of their own citizens was brought about in most cases by deliberate monetary or credit inflation. And it was all done under the pious calamity visited on a country by calamity visited on a country by malevolent outside forces, which the politicians and monetary managers profess to be incessantly combating.

Newsweek, June 25, 1956

CURRENCY UNITS

Loss of purchasing power, 1946-55

	Per Cent		*Per Cent*
Portuguese	0	El Salvador	32
Dominican	2	Turkish	32
Egyptian	2	Hong Kong	33
Haitian	3	Thailand	33
Indian	10	Malayan	34
Pakistan	10	New Zealand	34
Ceylon	11	British	35
Lebanese	16	Colombian	46
Belgian	19	Uruguayan	46
Swiss	19	Iceland	48
German	22	Mexican	48
Honduran	24	Nicaraguan	49
Irish	24	Australian	50
Italian	24	Finnish	52
Guatemalan	25	Austrian	54
Costa Rican	27	Peruvian	59
Danish	27	Brazilian	60
Ecuadoran	27	Greek	61
U. S.	27	French	66
Canadian	28	Japanese	67
Netherlands	29	Israel	68
Norwegian	29	Indonesian	69
Iranian	30	New Taiwan	85
Venezuelan	30	Chilean	91
S. African	31	Paraguayan	91
Spanish	31	Bolivian	95
Swedish	31	Korean	99

Bad Money Discourages Production

As MONEY is the sinews of every business, the introducing of a doubtful medium — and forcing it into currency by penal laws — must weaken and lessen every branch of business in proportion to the diminution of inducement found in the money.

PELATIAH WEBSTER, *Strictures on Tender Acts*, 1780

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Why Wages Rise:

7. CONTRACTING FOR PROGRESS *F. A. Harper*

Money, the lubricant for exchange, was discussed in the previous article in this series. Money makes widespread trade possible. Without it our present high level of wages could hardly have come to be.

Yet, serious inflation and deflation can cause money to lose its capacity to lubricate exchange. This article will probe further into the effect on wage rates of the type of inflation that has plagued various countries of the world for most of the past half century.

INFLATION mixes worthless dollars with the sound dollars of a productive economy. The dollars inflation puts into pay envelopes add nothing but higher price tags on things.[1]

As inflation becomes blended with the real buying power of production, dollars of diluted worth are the result. You can buy less at the counter with one of them. Not only is the worth of the dollar diluted, but understanding about the source of progress also is distorted by the illusion of inflation.

Rich Uncles and Welfare

Inflation fools us into a false sense of welfare. Perhaps the illusion comes about in some such manner as the following:

Suppose a wage earner has an industrious and thrifty uncle who remembers him in his will. At the uncle's demise the wage earner gains buying power, dollar for dollar in proportion to the amount of the inheritance. Everyone knows that.

If this happens to two people, both of them will gain in like manner. Or three. Or four.

And so it seems at first blush that if only this could happen on a national scale, everyone would benefit in like manner. But who will serve as the universal uncle? Our common uncle, Uncle State, of course.

Most uncles die only once, and an inheritance once received can never be repeated. But the State, on the other hand, has innumerable lives to give to its needy nephews and nieces. It seems able

[1]Inflation is an increase in the quantity of money, not a rise in prices which is only the consequence of inflation.

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to grant them a sort of inheritance over and over again. The State, however, is confronted with the problem of a source for the funds it gives, since the State is without economic means itself. So the State must first collect from its nephews and nieces the substance of the repeated "inheritances" to be given back to them.

Inflation is one way the State obtains these funds. And thus the buying power of money is diluted with these inflation dollars, which become the source of the inheritances from Uncle State.

The nephews and nieces, of course, are no better off as a result.[2] Somewhere there has been a slip of reasoning betwixt one person's rich uncle and an uncle without means for all of us. The clue to the answer lies in the fact that such benefits can come only out of production; that without production there can be no benefits.

The singular rich uncle was productive and thrifty. He saved up *buying power by foregoing* consumption over the years. And it was title to that real, productive wealth which became yours at the time of his demise.

If Uncle State, on the other hand, tries to give all of us enough to live on for the rest of our lives so that we could retire, who would produce the things for us to live by? Therein lies the catch in such a scheme for general welfare. For if nothing is produced, we would have nothing to live on from these promises to be financed by inflation.

Were we all to receive in like manner half enough, presumably, to live on and were all to half retire, we could have only half a living — the half we produced. The inflation inheritance of half a living would, likewise, give us nothing.

And for lesser degrees of inflation, the same would be true. We can have only what is produced, no more and no less. For production is the only thing that gives either wages or inheritance their substance. Money dilution for any purpose merely causes the price tags to go higher and higher.

That is the real danger of the inflation illusion. And we can't live on the substance of an illusion — full time or half time or a *minute a day, now or in old age.* In trying to live beyond the means produced and available, tragedy will surely ensue in one form or another.

One exceedingly foreboding form that this inflation illusion seems to be taking has to do with wage agreements. In important respects these contracts amount to an attempt to contract for prog-

[2]They are worse off, in fact, but the reasons are beyond the scope of this discussion.

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ress. The certain consequences of any such attempt at the impossible should give us deep concern.

Let me illustrate.

A Wage Contract for My Boy

In the year 2012, the Lord willing, my boy will be old enough to retire at age 65. He will then be in the final year of what I hope will have been a worthy occupational life, just prior to being forced to retire.

Here is a proposal. Let us say that I want to help him by bargaining for his wage for that year — the year 2012. As his representative at this collective bargaining table, I shall herewith state my proposal and give my reasons for my demands. Then if anyone will accept the offer, we shall see if we can work out the other minor details of the agreement.

My proposal is that you pay him a wage of $29.99 per hour for the year 2012.

This figure is arrived at by the same method now coming into vogue in negotiations over wage contracts. Contracts are being offered for a period of five years, or perhaps more. What I am proposing is merely to extend the idea of these five-year contracts, on the theory that if a principle is good for five years, it is even better for 56 years. Eleven times better for 56 years than for five years? Well, better, anyhow.

My proposal is based on the actual record of wages over the past working generation. I have merely taken trends since a man now ready to retire started work on reaching age 21, and extended them on to the year 2012 on a strictly mathematical basis.

Beginning with the present average wage rate for all laborers in the petroleum and coal industries ($2.52 per hour), I first added the average yearly rate of increase in productivity since 1910 (2.2 per cent).[3] Since increases in productivity have appeared in wage rates more or less in full, this step would seem to have ample precedent.

Next, the dollar has lost buying power over this period at a rate which, unless wages had risen enough to offset it, would have almost exactly canceled out all the increase from productivity. Except as this loss in buying power of the dollar was offset by wage increases, labor would be no better off now than a generation ago; except for such an adjustment in wages, wage dollars would have lost buying power about in proportion to the increase in produc-

[3] In calculating the $29.99 rate, I am assuming that in the year 2012 his work will correspond to that of present laborers in the petroleum and coal industries.

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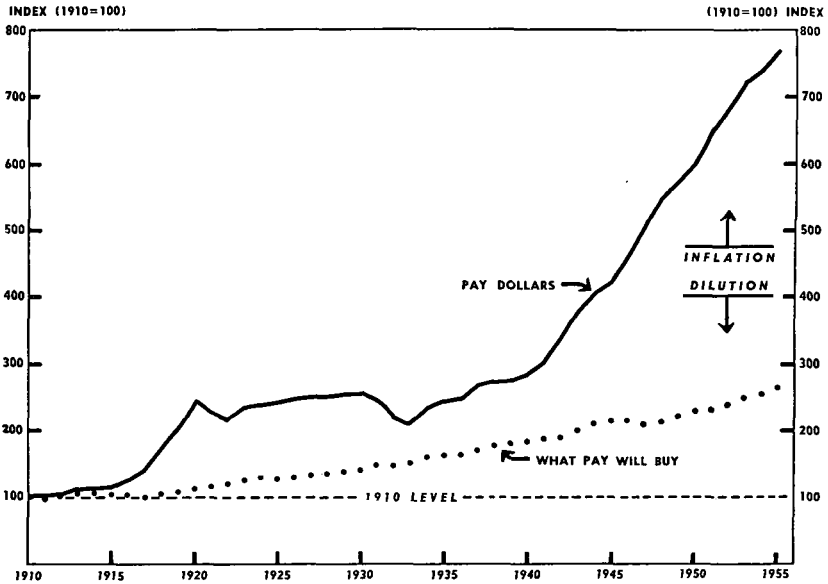
REAL AND UNREAL WAGE RATES

Hourly wage rates, United States



SOURCES: Real wage column derived from *Employment and Wages in the United States*, by W. S. Woytinski & Associates, Twentieth Century Fund, p. 586; *Economic Report to the President*, January 1956, p. 191. Nominal wage column derived from Woytinski, *op. cit.*, p. 585; *Economic Report to the President*, *op. cit.*, p. 208.

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tivity. So I am adding an inflation factor to my demands, based on past experience for nearly half a century.

These two factors give me my figure of $29.99 an hour for the year 2012, which I am proposing for a contract.

You may feel that you would be taking too great a risk in accepting such an offer, because productivity and inflation may not continue to go up for the next working generation as fast as they have in the one just past. True. But it is also true that they may go up even faster; that is the risk my son would be taking in signing such a contract. Do not these risks offset one another — yours

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vs. his — at this figure of $29.99? To equalize risks in this way would seem fair enough.

You may argue that you are opposed to inflation. But to that I would reply that you can do nothing about inflation all by yourself; that you have been opposed to it in the past, too, but that it has existed in spite of you; that holding your hands up against the wind will not stop it, so you might just as well take inflation as a fact and proceed to adjust yourself to it accordingly.

You may argue that if everyone takes this attitude of not opposing inflation by every means at his command, merely because he can't do anything about it alone, nobody will ever do anything about it; that only the combined efforts of enough persons who want to do something about it will ever terminate inflation; that one thing you can do, for sure, is to avoid becoming a contractor for future inflation by writing the assumption of its continuance into your wage and other contracts; that *you can't fight inflation if you become a vested interest in its behalf, as in such a wage contract.*

At this point in our bargaining I am ready to concede the force of these objections. And so I shall withdraw my offer of any such contract, urging all other wage bargainers to avoid such a scheme, too.

From the standpoint of the welfare of wage earners, such a general pattern of wage contracts is sheer folly. Some even question seriously putting both an assumed increase in productivity as well as a "cost of living" clause into long-term wage contracts. But this scheme is far worse. It not only contracts for a progressive increase in productivity at a predetermined rate; but in addition, it guarantees a continuous rise in the cost of living, in effect.

General wage agreements such as this would merely entrench inflation as a contractual way of life. This is true whether the agreement extends to the year 2012, or to 1961, or to 1957. The longer the period contracted on any such basis, the more serious its threat to the stability and progress of our economy.

The Erosion of Savings

Were I to argue the danger, and bargain for built-in inflation in the wage contract on some such basis, another problem arises to plague me.

My son, let us assume, wants to become self-responsible in his old age. He wants to provide for his elderly freedom and independence by saving enough during his working years to take care of his

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needs after retirement. How can he do this?

Let us first appraise his problem under the assumption that there were to be no inflation and no increase in productivity — that wage rates were to be stable, in other words. And let us also assume that my son wants to plan for a retirement income equal to half his working wage of $2.52 an hour. He is to provide for an income after retirement amounting to $2,620.80 a year, let us say.[4]

In order to provide for this sum on retirement, he would have to save and invest in a pension fund at the rate of $353.81 a year for the entire period. This would be 6¾ per cent of his income.[5]

If, on the other hand, inflation were to be built into the wage structure in the manner previously explained, my son would have to save at a much higher rate. For instance, a dollar saved during his first year of work would, in the first year after retirement, amount to only 38 cents in buying power, as a result of the inflation. This means that he would have had to put in $2.65 during his first working year in order to have, on retirement, the buying power that one dollar would have had without the inflation.

So why not add enough to the $29.99 rate to cover the loss of buying power of the wage earner's savings? Since the loss was due to inflation, why not charge it to inflation? Why not add it to wages, as was done with the inflation factor explained earlier?

If this were done, it would merely mean that still higher prices would result, cutting even further into the value of savings for retirement. This, in turn, would call for adding even more to the wage for the same reason. And so forth. An endless process would have been set in motion, like a cat hopelessly chasing its bobtail at an ever-increasing speed.

This pursuit of something for nothing by means of inflation is a fruitless search that can yield nothing to the general welfare of wage earners. Time and effort and hopes spent on it are wasted from gainful pursuits.

This wasted effort and false hope, of contracting inflation into higher wages, should especially concern the wage earner. To see why, we need only review earlier historical experiences with their tragic ending of the inflation act.

In speaking of the consequences of inflation at the time of the

[4]Based on 40-hour week and vacations with pay.

[5]Figures provided by a leading insurance company. The plan is the usual pension plan, invested mainly in bonds, mortgages, and the like.

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French Revolution, Andrew Dickson White said:

Now began to be seen more plainly some of the many ways in which an inflation policy robs the working class . . . . the classes living on fixed incomes and small salaries felt the pressure first, as soon as the purchasing power of their fixed incomes was reduced. Soon the great class living on wages felt it even more sadly . . . . the demand for labor was diminished; laboring men were thrown out of employment . . . the price of labor . . . went down. . . . Workmen of all sorts were more and more thrown out of employment.[6]

So if the wage earner is to be able to enjoy further increases in *real* wages through a healthy and sound economic growth, inflation must be stopped. But inflation can never be stopped if it becomes entrenched in the wage structure as a contractual way of life. It can never be stopped if wage contracts are so designed that employers and employees come to have a divided and conflicting interest in meeting the common enemy of inflation.

Progress cannot be built on an inflation bubble. It cannot be built on a raise in wages offset by a decline in what a dollar of wage will buy. For then the welfare of wage earners will burst when the inflation bubble bursts, hurting them especially.

[6]White, Andrew Dickson. *Fiat Money Inflation in France*, Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1952. pp. 32, 65-66.

I YIELD TO NO MAN in the world in a hearty goodwill towards the great body of the working classes, but my sympathy is not of that morbid kind which would lead me to despond over their future prospects. Nor do I partake of that spurious humanity which would indulge in an unreasoning kind of philanthropy at the expense of the great bulk of the community. Mine is that masculine species of charity which would lead me to inculcate in the minds of the labouring classes the love of independence, the privilege of self-respect, the disdain of being patronised or petted, the desire to accumulate, and the ambition to rise. I know it has been found easier to please the people by holding out flattering and delusive prospects of cheap benefits to be derived from Parliament rather than by urging them to a course of self-reliance, but while I will not be a sycophant of the great, I cannot become the parasite of the poor.

RICHARD COBDEN, 1836

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Labor's True "Magna Charta"

Labor is a commodity whether exchanged directly or indirectly — directly as a service or indirectly as the bag of wheat produced by one's labor.

SINCE the beginning of 1933 more than 630 million man-days of work have been lost as a direct result of work stoppages, with no account taken of the secondary idleness caused by the failure of struck industries to deliver their products or perform their services on time and by the decline in the purchasing power of striking workers.

What has labor to show for these losses? A rough idea can be gained from the government's figures for manufacturing industries. The average hourly earnings of factory workers have more than quadrupled since 1932, but the increase has been offset by the rise in prices of finished goods. The ratio of earnings to prices, which measures the real ability of the worker to buy the product, has risen 76 per cent, while productivity (average output per man-hour) has increased 77 per cent. Thus, despite the sharp rise in money wages, the real gain to the worker has been limited to the increase in productivity, just as it was before the days of industry-wide unions and national-emergency strikes. . . .

This study in futility has come about mainly as a result of the persistent belief that the earnings of labor somehow can and should be exempted from the free-market processes by which prices, values, and distributive shares in general are determined in a competitive economy — a belief that is epitomized in the declaration that "labor is not a commodity." How did this expression originate, what does it really mean, and what does it imply?

Superficially, the statement that "labor is not a commodity" has a strong humanitarian appeal. It sounds like a sort of declaration of independence for labor, an assertion that the workingman is not a slave or chattel to be bought and sold in the market place. It was undoubtedly this aspect of the matter that led Pope Leo XIII in 1891 to issue his famous encyclical on the condition of labor, *Rerum Novarum*, a document that has done much to shape recent thinking on labor questions. The official English version contains these words:

"Religion teaches the rich man and the employer that their work-

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people are not their slaves . . . and that it is shameful and inhuman to treat men like chattels to make money by. . . ."

No doubt it was likewise the humanitarian appeal mixed perhaps with other considerations, that led Congress to declare in the Clayton Act of 1914 that "the labor of a human being is not a commodity or article of commerce. Nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor, agricultural, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profits, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members there, of, be held or construed to be illegal combinations or conspiracies in restraint of trade under the antitrust laws."

This provision was enthusiastically hailed as a "Magna Charta" of labor. Subsequent court decisions showed that its practical effects were much less important than had been thought, and Congress eventually found it necessary to pass the Norris-La Guardia Act of 1932 in order to give labor unions the legal immunity that was deemed desirable. This, however, is beside the point. The point is that the majority in Congress, like many others, believed (1) that a legislative enactment could exempt labor from the normal competitive determination of its rates of pay, and (2) that labor would gain by such an exemption.

The same philosophy underlies the whole trend of recent governmental labor policy and labor legislation: the National Industrial Recovery Act of 1933, the Wagner Act of 1935, the Fair Labor Standards Act of 1938, the Smith-Connally Act of 1943, the Taft-Hartley Act of 1947, and a multitude of other federal and state laws. Some foreign countries still commonly called "free" have gone even further in regulating or influencing labor-management relations in general and wage rates in particular. Whatever the means may be, the underlying intent is the same: to "emancipate" the worker from the rule of the market, to prove that "labor is not a commodity."

What Is a Commodity?

The statement that working people are not slaves or chattels and the declaration that their labor is not a commodity or article of commerce sound much alike, and this superficial similarity appears to have caused a great deal

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of confusion. Actually, not only are they two very different assertions, but in their final implications they are mutually contradictory. This becomes clear when a little consideration is given to the real economic position and significance of human labor.

The essential characteristics of a commodity or article of commerce are (1) that it is in demand and (2) that its supply is not unlimited. These two characteristics give it value, enable it to command a price in the market in exchange for other valuable things. The price is determined by the interaction of demand and supply — demand as affected by the commodity's price and usefulness, supply as affected by the price obtainable for it and the difficulty or cost of producing it.

Human labor possesses all these characteristics. It is in demand; its supply is limited; hence, it commands a price in the market. The demand for it arises from the fact that employers can use it profitably and is limited by the ability of employers so to use it. The supply arises from the need of workers to meet their personal wants and is limited by the number of workers and their preference for leisure; that is, for non-economic pursuits.

Economists usually make a distinction between commodities and services, commodities being material articles and services consisting of useful actions. The distinction is not essential to the present purpose, because the basic economic characteristics of the two categories are the same. If labor is not a commodity in this sense, it is certainly a service, and from the economic standpoint it is, in every essential respect, a "commodity or article of commerce."

What does this mean to the individual worker? It means that he is the owner of a valuable commodity, his capacity to work, which other men are eager to buy and pay for. This commodity is inalienably his, and he is free to sell it in the most attractive market he can find. He can pick and choose, not only among pay offers but among occupations. He is, in a larger or smaller way, an independent proprietor, an entrepreneur. His opportunity to rise is limited only by his capacity to make himself useful to others through his ability, energy, and diligence. He is able to command an income from others, not by virtue of any authority or compulsion by a paternalistic state, not because of any protection or favor bestowed upon him by a public or private organization, but because others are ready to buy voluntarily, and in their own interest,

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what he has to sell. The fact that his labor is a commodity does not make him a slave or a chattel. On the contrary, it makes him, in the full sense of the phrase, a free man.

How Wages Are Determined

To say that employers seek to "make money" by hiring workers is not to say that they are treating them like chattels. The employer does precisely what the worker does: he tries to employ his resources to the best advantage. In this endeavor, each party attempts to "make money" from the other; that is, each hopes and expects to profit by the employment contract, and each tries to make the best bargain he can. Only in this way can an economy of free enterprise function effectively. If it were not for the hope of "making money," there would be no employment and no enterprise. "Making money" is merely the form which the efficient use of resources takes in an enterprise economy. To read a sinister meaning into the phrase is to betray a lack of understanding of the whole economic process.

It is as pointless to criticize the employer for not paying more than he must as to blame the worker for refusing to work for less than he can get elsewhere. Each party obtains the best terms he can. The worker must work for a wage that will make it profitable for the employer to hire him in turning out a product at a price which consumers are able and willing to pay in a competitive market. The employer must pay a wage that will prevent the worker from being drawn away by other employers. In this way there is established a wage structure, a set of "going rates" for different occupations and grades of labor. These rates reflect the productivity of industry at the time, the quantity of goods and services produced in relation to the quantity of resources employed. If wage rates are not higher than they are, it is not because of the rapacity of employers but because the productivity of industry, while greater than ever before, is still limited.

The idea of a fair, just, or reasonable wage is very appealing. But what is fair, just, and reasonable under the conditions prevailing at a particular time? Since the dawn of history, buyers and sellers have had very different ideas regarding the concrete meaning of these words. How are such differences to be resolved? There is only one valid and objective criterion: the free market, which, under the consumer's whiplash (and the consumer means everyone), forces both buyers and

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sellers of labor to conform to the basic reality of the situation, the current level of productivity. . . .

To abolish the market determination of wages — that is, the commodity character of labor — it would be necessary to destroy private enterprise and resort to socialism. Then the worker really would become a chattel. No longer would his wages depend upon his individual ability to make himself useful, as determined ultimately by the current state of industrial productivity, but upon the will of a political master, from whose decision there would be no appeal. No longer would he be free to choose his occupation, or even his place of residence; he would have to work at his assigned task, whatever and wherever it happened to be, at the bidding of the same political master.

The true "Magna Charta" of labor lies in the very fact that labor is "a commodity or article of commerce," not a pawn in a totalitarian game.

From *The Guaranty Survey*, July 1956.

The Employee's Reserve

IT MAY BE INTERESTING to speculate for a moment as to just how an employee's reserve compares in dollar value with a reserve fund of capital. For instance, let us consider a young man who might reasonably expect to find regular employment for a period of forty years at an average weekly wage of $100. For a nonworking person to draw a comparable income from a trust fund—assuming that it earns interest at the rate of three per cent and that the principal also is to be used up over the period of forty years—an original capital investment of $120,000 would be required. A person's capacity for productive work is truly a valuable reserve, equal in worth to the inheritance from quite a "rich uncle." A young man has quite a stake in maintaining the kind of competitive society in which such reserves are recognized as being private property.

PAUL L. POIROT, *Bargaining*

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"History shows by many examples that excessive taxation, the reckless use of the power to destroy, as it has been so aptly called, is an important factor in the decline and fall of civilization."

The Power To Destroy

William Henry Chamberlin

ALEXANDER HAMILTON perhaps spoke more wisely than he realized when he referred to the power to tax as the power to destroy. Neither in Hamilton's time nor in the nineteenth century were extreme taxation burdens imposed in free and civilized countries. The right of a man to retain the property which he might earn or inherit was taken for granted as one of the natural rights which figure so largely in the thinking of the Founding Fathers of the American Republic.

There was no general income tax in the United States until 1862. And the rates of taxation during the Civil War, the most desperate emergency in American history, were unbelievably mild by modern standards: 3% on incomes from $600 to $10,000, and moderately progressive rates above $10,000. The whole idea of a tax on income was thrown out the window in 1872 as inconsistent with the American ideal of unlimited personal opportunity. An attempt to levy a 2% tax on incomes in 1894 was declared unconstitutional. Only after the passing of the sixteenth amendment to the Constitution in 1913 was the principle of the federal income tax firmly imbedded in the United States fiscal system.

It was a very thin opening end of the wedge. The original standard rate of income tax was 1%, with exemptions of $3,000 for single and $4,000 for married persons. (Of course, these exemptions are much higher than they would be at present, because of

Mr. Chamberlin has examined the drift toward collectivism as author of numerous books, lecturer, contributor to the Wall Street Journal *and many nationally known magazines.*

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the severe depreciation in the purchasing power of the dollar.) There was a surtax of 1% to 6% on incomes in excess of $20,000 (the equivalent of about $53,000 at the present time).

There was a similar development in Great Britain. Only the Boer War, at the end of the nineteenth century, brought the income tax up to one shilling on the pound (5%). Gladstone, the great leader of the British Liberals in the second half of the nineteenth century, wanted to abolish the income tax altogether and reduced it at one time to twopence on the pound (less than 1%).

Notwithstanding what might have seemed the innocuously low rates which were set after the introduction of income tax in the United States, voices of warning were raised against the principle of a levy which placed all the earnings of American citizens at the mercy of politicians, most of them with the politician's instinctive impulse to spend. Senator Benjamin Harvey Hill warned that the new tax would enable the government "to make all property and rights, all states and people, and all liberty and hope, its playthings in an hour and its victims forever."

Representative William Bourke Cochrane of New York declared in 1894 that "democratic institutions must perish from the face of the earth if they cannot protect the fruits of human industry wherever they are, or in whatever proportion they may be held by the citizens."

THE FANTASTIC GROWTH of yield from the personal income tax is illustrated by one striking comparison. The new levy brought in $80 million in the first year of its imposition. Current yield is $31.2 billion. Of course, in the intervening period, population and real wealth have grown and the value of money has declined. But not in such steep proportion as over 300 to one—the relation between the current take of income tax and what was levied in 1914.

This increased appropriation by the State of the fruits of the labor of its citizens, or subjects, is a world-wide trend, with one paradoxical exception. Rates of income tax in Great Britain are higher, and exemptions are lower than in the United States, although there is no British equivalent of the state income taxes which often add substantially to the taxpayer's bill in the United States. The German national income tax has been cut and is not so steeply graduated in the upper brackets as the American. However, Germans who are not refugees and who were not bombed

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out during the war are obliged to pay a substantial levy, the so-called *Lastenausgleich*, for the benefit of those who were. This probably at least equals the score.

Japanese rates of income tax, applied equally to foreigners, are so heavy that many foreign newspapermen and businessmen cannot afford to live in Japan and have moved to Hong Kong. A recent report from Formosa was to the effect that income tax rates as high as 114% had been levied there, although the Finance Minister was promising to look into the matter.

The one exception to a crushing load of direct taxation is found, curiously enough, in communist countries which started off with programs of wholesale nationalization, confiscation, and robberization and still do not tolerate private operation or ownership of industrial or commercial enterprises. But experience has taught the communist political bosses that unequal pay for work of unequal value is good stimulating medicine for productivity. So one finds very sharp wage and salary differentials, to say nothing of extensive perquisites of office in the shape of superior housing, cars, and the like for top level officials and members of the managerial bureaucracy. And in Tito's Yugoslavia, at least at the time of my visit in the summer of 1955, there was no income tax. Lest this should start a stampede of American expatriates to Yugoslavia, I hasten to add that there are many features of Tito's brand of communism in that country even less pleasant than filling out income tax blanks.

THE POWER TO TAX has indeed proved the power to destroy. The personal income tax, growing like a Frankenstein's monster and showing little abatement from wartime heights, has destroyed for American citizens, among other desirable things:

(1) *The precious sense of personal independence* that comes from being able to provide for their years of old age and retirement. The difference between nineteenth century and twentieth century rates of income tax is the difference between independence and dependence, between the ability of a man of reasonable thrift and diligence to "save up" for his later years and being dependent on some state handout or some company pension scheme. Anyone with a medium middle-class income can take paper and pencil, figure out how much he has paid to satisfy the exactions of federal, state, and sometimes also municipal tax collectors, and calculate what he has lost in terms of an

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annuity or retirement allowance.

In an age that prides itself on its concern for security, exorbitant rates of personal income tax are a most acute source of personal insecurity. Money that otherwise would have been saved for a rainy day is earned only to be siphoned off by the insatiable demands of the State.

(2) *The sense of economic freedom.* The United States conquered the wilderness, built great cities and fertile farm areas on land once tenanted by a few nomadic savages, built up a standard of living that made it, in Shakespeare's phrase, the envy of less happier lands because the individual American was free to earn what he could and to keep what he earned. Now the government, like a racketeer, "muscles in," demanding a large first cut of everyone's earnings, a cut that becomes progressively and rapidly larger as the individual is presumably more competent and efficient and able to earn more money.

The federal government has a prior claim on more than half (52%, to be exact) of the profits of every corporation. A reversion to serfdom under modern conditions is suggested by the fact that almost everyone must work a certain amount of time for the government by surrendering a portion of his earnings. This time varies from one to two months for those in lower brackets to three to six months as steep progression exerts a leveling influence on those in middle and higher brackets. In the case of the highest incomes, where 91% may go to the State, the individual may reckon that he is working only a few weeks for himself, the rest of the time for the government.

There can be only one end to the prolonged operation of the kind of steeply progressive income tax system which is in force in the United States today. This is to transform what was once a people of self-reliant individualists, accustomed to relying on themselves in emergencies, into an amorphous mass of wards and serfs of the State. These would be neatly ticketed with social security numbers, conditioned to giving up to the State a larger and larger share of what they earn, and looking to the State to satisfy more and more of their needs. One of the most insidious consequences of the present burden of personal income tax is that it strips many middle-class families of financial reserves and seems to lend support to campaigns for socialized medicine, socialized housing, socialized food, socialized everything.

(3) *The spark plug of incentive* is brought to a sputtering halt by

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a taxation system that treats wealth as a crime and makes almost impossible the building up, without inherited wealth, of the medium and small fortunes which formerly testified to the vitality of the individualist economic system. Consider a situation that might easily arise in a small business. The income of the owner is $200,000 a year. He might be able to increase this to $300,000 by going to some trouble and risk in installing some new machinery that would make for higher productivity. But how much of the extra $100,000 would he be able to keep? Only a few thousand dollars. Is it reasonable to expect a man to work as hard if he must turn over 90% or more of the fruits of his labor to the State as he would if he could keep all or the greater part of it himself?

The enormous productive successes of the capitalist, or individualist, economic system during the nineteenth century were largely due to the fact that the sky was the limit as regards the rewards of energy and initiative. Marx and Engels, who wished to destroy the capitalist system, knew what they were doing when they introduced a demand for a heavy graduated income tax into the *Communist Manifesto*. In the United States, where the Socialist party is in liquidation, where there is no taste for outright nationalization, the graduated income tax, regarded by left-wing theorists as a legitimate and desirable instrument of economic and social leveling, has achieved many of the results which were feared or hoped from socialism. It has served to discourage thrift and dilute incentive, sometimes to the vanishing point. It has enormously restricted the range of individual opportunity. It has made the individual vastly more dependent on the State and more avid for state handouts. It has shifted the balance in America from an individual-centered to a state-centered economic and social system.

THERE IS MUCH MORE that could be said in criticism of this form of fiscal exaction. Much of it has been said very ably by a man in a position to know whereof he speaks, Mr. T. Coleman Andrews, former Commissioner of Internal Revenue. Mr. Andrews pulls no punches in an article entitled "Abolish the Income Tax," which is sprinkled with adjectives and expressions like brutal, confiscatory, murderous, brigandage.

Out of a wealth of recent experience the former Commissioner flatly asserts that the income tax law is so complicated that very few taxpayers do or can under-

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stand it. Almost two years have elapsed since the Internal Revenue Code of 1954 became law, and it has not yet been possible for the Treasury Department to come up with an official interpretation of that law. The punch lines of Mr. Andrews' article may be found in these paragraphs of his appeal to members of Congress:

> Whether you believe it or not, everybody is being overtaxed and the middle class is being taxed out of existence. Thereby the nation is being robbed of its surest guaranty of continued sound economic development and growth and its staunchest bulwark against the ascendancy of socialism. We, who somehow have managed to hold on, finally are beginning to see the shameful extent to which we have been made the special victims of rapacious tax enactments — and we don't like it.
>
> We are concerned about the future because we don't believe that we could stand another serious recession, what with the present "good times" founded as largely as they are on defense production, deficit financing and other generators of thin-ice and phony prosperity, and with the tax collector taking the fruits of our labors in "progressive" ratio to our achievements. High rates of tax don't mean anything when there isn't anything to tax.

What might be deemed a flaw in the position of Mr. Andrews is that he calls for the abolition of the income tax without proposing what to do next. He merely advocates a congressional examination of the whole problem of taxation — an excellent idea in theory, but one that might well bog down in endless delays. Present rates of income tax, which in many cases confiscate the individual's margin for saving, have been more or less passively accepted on the false assumption that the current level of government spending is untouchable.

No one who has had even limited acquaintance with government in operation is likely to be convinced that no savings in that field are possible. It is elementary human nature to spend government money more freely than one's own money. There certainly is desirable room for saving in handouts to unfriendly foreign neutralist governments.

The Hoover Commission, after a most exhaustive prying into all the dark nooks and crannies of civilian and military bureaucracy, has come up with concrete practical suggestions calculated to save many billions of dollars in federal expenditures. Further substantial savings could be realized if the amazing report of the Committee on Government Operation about the wide scope of government enterprises — often operated at a loss and in competition with private business — were heeded in economy legislation.

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The time has long passed when the personal income tax could be regarded as something that merely knocked off a little of the surplus wealth of a few millionaires. Its bite is now deep and wide. A levy that starts at 20% (a higher rate than the highest imposed when this tax was first introduced) is distinctly everybody's concern and everybody's business. What is needed is dynamic bipartisan leadership in a tax reduction program that will make clear the folly of paying out of one pocket so-called benefits and "free" services which are supposed to put something in the other. The proposition should be hammered home that government does not and by its very nature cannot create wealth. It can only redistribute existing wealth and sell to people, at a steep and growing price in taxes, benefits which individuals could well provide for themselves, if they wanted, and if they were not required to carry such a heavy load of taxation.

The United States has been more resistant to socialism, presented under a socialist label, than most other countries. During decades of political activity the American Socialist party was only able to elect two representatives to Congress. And this was a long time ago.

But, while socialism has been refused admission at the front door, it has been sneaking in through the back door and through unguarded windows. Consider the implications of the following provisions of existing financial legislation:

The federal government, through the corporation income tax, takes 52% of the profits of business firms. Then it taxes what is left of these profits a second time, when they are paid out in dividends. In the case of taxpayers in the higher income brackets this means that the government, without assuming any of the risks of business operation, establishes a prior lien on 90% or more of the profits. And there are demagogues ignorant and unscrupulous enough to allege that this government, which through income, inheritance, gift, and corporation income taxes annihilates private wealth on a gigantic scale, is "a rich man's government"!

HISTORY SHOWS by many examples that excessive taxation, the reckless use of the power to destroy, as it has been so aptly called, is an important factor in the decline and fall of civilizations. The following citation from George Finlay's solid historical work, *Greece under the Romans*, is one of many that might be used to illustrate this point:

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At last the whole wealth of the empire was drawn into the imperial treasury; fruit trees were cut down and free men were sold to pay taxes; vineyards were rooted out and buildings were destroyed* to escape taxation . . . . The increase of the public burdens proceeded so far that every year brought with it a failure in the taxes of some province, and consequently the confiscation of the private property of the wealthiest citizens of the insolvent district, until at last all the rich proprietors were ruined, and the law (of collective responsibility for the payment of taxes) became nugatory.

Small wonder that there was little will to resist the barbarian invasions in the West or the Moslem sweep in the East. The sucking up of power, initiative, and national wealth into a bureaucratic centralized apparatus of government is one of the most unmistakable of historical danger signals.

For the last quarter of a century and more this signal has been flashed with increasing urgency to the American people. Now the time has come to reverse the fatal trend toward centralization, to curb the power to destroy which is implicit in a form of tax that makes a mockery of the right of private property and gives the State an elastic and indefinitely extensible claim on the fruits of the labor of its citizens. A decisive repudiation of a type of taxation that stifles initiative and tends slowly but surely to transform formerly free men into wards and serfs of the State would resound through the land with the invigorating effect of a new Declaration of Independence.

* In this country and, to a larger extent, in Great Britain, this destruction of spacious homes which cannot be kept up under existing burdens of taxation is already in full swing. In this and other such social and economic matters Britain offers a preview of what may be expected in this country after a decade or two if present trends are not reversed. In "Does the State Build Homes?" Russell Kirk, in his latest book, *Beyond the Dreams of Avarice*, gives a vivid description of the disappearance of British homes which were centers of culture and community sense.

Economically and Morally Wrong

IT IS BEGINNING to dawn upon us that using the force of Government to take other people's property to do good according to Government's notion of what is good is all dead wrong. The fact that the whole world is morally wrong by taking people's private property and making it Government-owned emphasizes the extent of the world collapse of morals . . . . What we have been doing has always been regarded economically wrong. It is indeed both economically and morally wrong.

HON. RALPH W. GWINN, *Congressional Record*, April 13, 1956

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Plunder by Proxy

Leonard E. Read

They who employ force by proxy, are as much responsible for that force as though they employed it themselves.

HERBERT SPENCER, *Social Statics*, 1865

THE POPULARITY of Robin Hood derives from the fact that he robbed the rich to aid the poor. Let it be acknowledged that he was popular not with the few he robbed but with the poor he aided, they being the more numerous.

Robin would not have been popular even with the poor had he robbed the rich to aid himself. Nor would the poor have been popular had they robbed the rich to aid themselves.

However, the rich were no less robbed by reason of Robin's doing the robbing. Nor were the recipients of stolen goods any the less thieves because someone else did their stealing.

The issue in this fiction is not robbery, for that has been established. The issue is: Why, when someone else does one's stealing, is there an absence of a guilty conscience, a sense of absolution? Can anything be done about it?

The analogue to this Robin Hood fiction is the taking-from-some-giving-to-others reality of our own political establishments. The recipients of subsidies, for instance, have no more sense of guilt than did Robin's "beneficiaries." Absolution is assumed, and for the same reason: Someone else — in this case, the government — does the plundering and the bestowing.

As long as this blind spot prevails, it will induce a feeling of absolution; and as long as this false feeling persists, political plunder will be increasingly embraced as proper national policy.

What can be done to replace this blind spot with understanding?

A bit of imagination may suffice. Take the recipient of a farm subsidy as an example. Let the government policy of subsidization remain exactly as it is. It is decreed that Farmer Jones (he may be rich or he may be poor) is to receive $1,000 as payment for taking some of his acreage out of production. But instead of the government forcibly collecting

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this amount in taxes, Farmer Jones is assigned a policeman and authorized by the government to call personally on all American families, rich and poor alike, and forcibly collect from each a specified amount. Disregard, please, the inefficiency of this type of plunder. Think only of Jones personally doing the collecting, with his policeman in tow, of course.

ONE CAN readily see what would happen the moment such personal plunder replaces impersonal government plunder. The blind spot would cease to exist. Guilt would stand where absolution had stood. Farmer Jones would no more use force to collect one penny from Widow Doakes or 50 cents from Mr. Gotrocks than he would steal his neighbor's cow.

It isn't necessary to adopt this collection plan to be rid of spoliation. It is only necessary *to understand* that morally there is not an iota of distinction between the collecting and disbursing method now in practice and the one here depicted.

The difference between the impersonal and personal methods is not moral but psychological, an unwholesome gap in thinking. The impersonal evokes a false absolution; the personal, if merely imagined, compels us to see that we would act solely on our own integrity and moral scruples.

The Field of Personal Responsibility

IT MUST BE REMEMBERED that 95 per cent of the peace, order, and welfare existing in human society is always produced by the conscientious practice of man-to-man justice and person-to-person charity. When any part of this important domain of personal virtue is transferred to government, that part is automatically released from the restraints of morality and put into the area of conscienceless coercion. The field of personal responsibility is thus reduced at the same time and to the same extent that the boundaries of irresponsibility are enlarged.

Government cannot manage these fields of human welfare with the justice, economy, and effectiveness that are possible when these same fields are the direct responsibility of morally sensitive human beings. This loss of justice, economy, and effectiveness is increased in the proportion that such governmental management is centralized.

CLARENCE MANION, *The Key to Peace*

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Government in Business

Murray N. Rothbard

IN THE MIDST of nationwide prosperity, some economic and social problems keep nagging at the public. All over the country, they take the same form. What are they? Traffic congestion, inadequate roads, overcrowded schools, juvenile delinquency, water shortages. Such matters have proven troublesome in many ways; above all, they seem to breed conflicts. Fierce battles are raging between warring groups of Americans. Some want "progressive" education; others want varying blends of the traditional. Some want socialism taught in the schools; others favor free enterprise. Some want religion in the schools, and others proclaim separation of Church and State. Some Americans want water fluoridated, and others want it unmedicated.

Is there anything special about water or schooling that creates insoluble problems? How does it happen that there are no fierce arguments over what kind of steel or autos to produce, no battles over the kind of newspapers to print? The answer: There *is* something special — for the problems of schooling and water supply are examples of what happens when government, instead of private enterprise, operates a business.

Have you ever heard of a private firm proposing to "solve" a shortage of the product it sells by telling people to buy less? Certainly not. Private firms welcome customers, and expand when their product is in heavy demand — thus servicing and benefiting their customers as well as themselves. It is only *government* that "solves" the traffic problem on its streets by forcing trucks (or private cars or buses) off the road. According to that principle, the "ideal" solution to traffic congestion is to outlaw all vehicles! And yet, such are the suggestions one comes to expect under government management.

Is there traffic congestion? Ban all cars! Water shortage? Drink less water! Postal deficit? Cut mail deliveries to one a day! Crime in urban areas? Impose curfews! No private supplier could long stay in business if he thus reacted to the wishes of customers. But when government is the supplier, instead of being

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guided by what the customer wants, it directs him to do with less or do without. While the motto of private enterprise is "the customer is always right," the slogan of government is "the public be damned!"

Conflicts and bitterness are inherent in government operation. Imagine what would happen if all newspapers were published by government. First, because a government operation gets its revenues from coercive taxation instead of voluntary payment for services rendered, it is not obliged to be efficient in serving the consumer. And, second, conflicts among groups of taxpayers would rage over editorial policy, news content, and even tabloid versus regular size. "Rightists," "leftists," "middle-of-the-roaders," each forced to pay for the paper, would naturally try to govern its policy.

ON THE FREE MARKET, in contrast, each group finances and supports its own preferred product, whether newspaper, school, or package of baby food. Socialists, free enterprisers, progressives, traditionalists, gossip-lovers, and chess-lovers, all find schools, papers, or magazines that meet their needs. Preferences are given free rein, and no one is compelled to take an unwanted product. Every political preference, every variety of taste, is satisfied. Instead of a majority or the politically powerful tyrannizing over a minority, every individual may have as much as he can afford of precisely what he wants.

The standard government reply to charges of inefficiency or shortage is to blame the public: "Taxpayers won't give us more money!" The public literally has to be forced to hand over more tax money for highways, schools, and the like. Yet, here again, the question arises: "Why doesn't private enterprise have these problems?" Why don't TV firms or steel companies have trouble finding capital for expansion? Because consumers pay for steel and television sets, and savers, as a result, can make money by investing in those businesses. Firms that successfully serve the public find it easy to obtain capital for expansion; unsuccessful, inefficient firms of course go out of business. In government, there are no profits for investors and no penalty charged against the inefficient operator. No one invests, therefore, and no one can insure that successful plants expand and unsuccessful ones disappear. These are some of the reasons why the government must raise its "capital" by literally conscripting it.

Many people think these prob-

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lems could be solved if only "government were run like a business." And so they advocate jacking up postal charges until the Post Office is "run at a profit." Of course, the users would be taking some of the burden off the taxpayers. But there are fatal flaws in this idea of government-as-a-business. In the first place, a government service can *never* be run as a business, because the *capital* is conscripted from the taxpayer. There is no way of avoiding that. (Finance by bond issue still rests on the power of taxation to redeem the bonds.) Secondly, private enterprise gains a profit by *cutting costs* as much as it can. Government need not cut costs; it can either cut its service or simply raise prices. Government service is always a monopoly or semi-monopoly. Sometimes, as in the case of the Post Office, it is a compulsory monopoly — all competition is outlawed. If not outlawed, private competition is strangled by taxes to cover the operating deficits and raise capital for tax-exempt government operation.

THERE IS another critical problem in government operation of business. Private firms are models of efficiency largely because the free market establishes prices which permit them to *calculate*, which they must do in order to make profits and avoid losses. Thus, free "capitalism" tends to set prices in such a way that goods are properly allocated among all the intricate branches and areas of production that make up the modern economy. Capitalist profit-and-loss calculation makes this marvel possible — and without central planning by one agency. In fact, central planners, being deprived of accurate pricing, *could not* calculate, and so could not maintain a modern mass-production economy. In short, they could not *plan*. There is no way to gauge the success of a product that the customers are compelled to buy. And every time government enters a business, it distorts pricing a little more, and skews calculation. In short, a government business introduces a disruptive island of *calculational chaos* into the economic system.

No wonder, then, that our economic problems center in government enterprises. Government ownership breeds insoluble conflicts, inevitable inefficiency, and breakdown of living standards. Private ownership brings peace, mutual harmony, great efficiency, and notable improvements in standards of living.

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MERLE THORPE
—a positive force for the free market

The Creed of a Conservative

Fred DeArmond

ANY CLEVER person can utter quotable epigrams. The acid test is in the pattern of philosophy that emerges from his words, and its agreement with his actions. Do they add up to anything worth remembering? Is part of the mind product canceled out by other parts?

By this measure, one of the most consistent lives in our time was that of Merle Thorpe, who for 28 years edited *Nation's Business* magazine. The 40 years ending with his death late in 1955 witnessed an abortive revolution that shook the world as it had not been shaken in nearly two centuries. Through those tremendous years Thorpe was the consistent voice of embattled free enterprise as probably no other figure of the time. In all that he wrote and spoke — and it was voluminous — critics are challenged to find two sentences that were contradictory. This, of course, was the product of staking out a line of principle and holding to it steadfastly.

In 1916 he was called to Washington from his job as director of the School of Journalism at Kansas University to assume the editorship of a small fringe magazine which it was hoped might be made the spokesman for organ-

Mr. DeArmond, writer and business consultant on personnel training, is a contributor to numerous periodicals and the author of books such as Executive Thinking and Action *and* How To Sell and Unsell Ideas. *For five years he was Associate Editor of* Nation's Business, *under Merle Thorpe's editorship.*

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ized business. The great upheaval was then in the making. Ten years earlier Lloyd George had achieved a New Deal in Great Britain. Seventeen years later the United States followed in almost the same tracks made by the British Fabians and their continental socialist brethren.

When the American New Deal flourished, Thorpe understood, as only a few of his fellow citizens did, that it was no case of political immaculate conception. It had been gestating for a long time. From about 1921 on, he noted the steady, cumulative growth of federal controls and bureaucracy. He was disturbed by the increasing dependence on Washington to solve every problem from drought to childbirth mortality.

Again and again during the twenties he sounded a sharp warning that the people were overlooking the deferred cost in human freedom of this new-found short cut to the Kingdom of Heaven on earth. In 1931 he wrote a remarkably prescient series of four articles for the *Saturday Evening Post* on "Our Vanishing Economic Freedom." To one of them the editors appended a subhead — "The High Tide of Paternalism" — that illustrates how little most Americans knew then of the long sweep of that popular tidal wave.

In assessing Merle Thorpe's consistency, his whole philosophy may be anchored to a passage from one of his favorite authors, Lord Macaulay, which he liked to quote:

> Our rulers will best promote the improvement of the people by strictly confining themselves to their own legitimate duties; by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment. . . .

To these principles he adhered with a stern fidelity. He resented the frequent charge that this was laissez faire. "We have not had laissez faire in this country for 50 years," he said. Vigorously and continually he repelled the view that opposition to socialism was blind opposition to change. To him, change was the very breath of progress.

> Change is the immutable law. Eternal adaptability is the price of survival. . . . Yesterday is yesterday. The "good old days" pay no dividend in the present.

But he was firmly opposed to change just for the sake of change. Some truths are immutable and uninfluenced by considerations of pragmatism or expediency or false humanitarianism. "Despotism dressed in the clothes of benevolence is still despotism."

Always he was alert to the thousand and one devices and

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guises through which the levelers sought with a deadly design to introduce the new socialist era.

EARLY in his editorial career, Thorpe began to combat the idea, born of the Populism that flourished in the Midwest of his youth, that bigness is in itself an evil in business. In 1924, a small businessman reader in Oberlin, Ohio, wrote a querulous letter, the substance of which was, "Are you for Big Business or the people?" Thorpe's answer, printed in his column, "Through the Editor's Spectacles," said in part:

> What is the dividing line that marks the danger to society [in the size of a business]? At what point does success become sinister? Just west of Oberlin is a farmer named Jones, crippled by paralysis since a baby, who made such good sausage that today he ships it to every country on the globe. Just east of Oberlin a Mr. Davey took such good care of his neighors' trees that the nation heard of him and his work and beat a path to his door.
>
> At what point did Mr. Jones leave off being a good citizen to become pernicious? At what point did Mr. Davey become a menace as Big Business?
>
> It is obvious that we must have a meeting of minds on this point before we can answer the question. What is there inherent of virtue in small business that makes that same small business with its same policies, same management, anathema when it develops into Bigness?
>
> If you insist on an answer to your question, "Are you for Big Business or the people?" we shall have to say, "We are for both." And for Small Business too, the Small Business which sees through shining eyes a higher good and is striving through the small hours of the night to attain it. Don't take that away from us, please, because that is the opportunity of the individual, and individualism is the heart and soul of America.

Small business, he said in another connection, is "the greatest stumbling block in the path of dictators." It is so much easier for government to socialize if it can do so substantially by taking over a few huge corporations. But with several million independent enterprises, no such economic coup d'état is possible, except by a process of gradualism.

HAVING KNOWN nothing but hard work and struggle, he saw no reason to pity people who had to overcome obstacles and endure hardships in the attainment of their desires. His boyhood as the son of a small farmer in western Missouri, his job in a small town creamery, the succession of student enterprises that he devised to finance his education in college — all these he regarded as assets, not liabilities in his life.

Federal subsidies, however inviting to vicarious do-gooders, had no appeal to him. Back in 1924 he

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was pointing out the artificiality in such farm aids as the McNary-Haugen Bill for hoisting agricultural prices above the world level. Along about this time he printed with tacit approval a reader's view that there were too many farmers for a free competitive economy. Some would by natural laws have to gravitate to other vocations. In every age, owing to mechanical evolution and more productive farming, fewer persons are required to supply food. Landowners should be encouraged to meet the dilemma of unmarketable surpluses by voluntarily withdrawing cropland from cultivation and returning it to grass — a proposal acted upon later, but via federal subsidies that tended toward compulsion and nullified the intent of the program.

Veterans' bonuses he exposed as one of the worst forms of paternalism, notwithstanding intemperate recriminations from readers who saw no fallacy in placing a price tag on patriotism. Business subsidies and price fixing by decree, whether for the "protection" of sellers or buyers, were to him government spoon-feeding of some citizens at the cost of penalizing others.

From the start he recognized and deplored the unholy alliance between greedy politicians and power-drunk labor leaders. He denounced the NRA for what it quickly proved to be — a shady bargain by which business was to be given a questionable Sherman Act truce in return for agreeing to compulsory unionism. Many of the businessmen who fell for this clever ruse soon saw that they had given away a basic American freedom for the right to "police" their competition, only to have their quid taken away from them by the courts.

Later, when labor chieftains and some of the softer academic minds charged that capital was on a strike to prevent recovery under the New Deal regime, Thorpe answered in a ringing editorial, "Ask the Dollar in Your Pocket."

> You want me to go to work? What is the job? How risky is it? How long do you want me to work? A new enterprise? The public may not accept the product, and then I'd lose my life. I'd want more for that job. What are the conditions of employment?

In addition to his writing and editing, Thorpe delivered hundreds of public speeches and radio addresses to a very large national audience. Over and over he reminded his readers and listeners that you can't have free enterprise without some speculation Every highly successful business has had to pass through stages when the hopes for new develop-

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ment outweighed the security consideration. A good entrepreneur takes chances. It is the way of life in business under a free enterprise system. Thomas A. Edison and Walter Chrysler were more than speculators, but they *were* speculators.

In 1927 he attacked vigorously a proposed gesture by the National Chamber of Commerce looking toward recognition of Soviet Russia as a lift for trade. Still consistent in his revulsion toward everything connected with communism, the approach of World War II found him voicing restrained objection to a military alliance with the Kremlin.

With his usual lucidity, Thorpe warned of the deadly parallel between creeping socialism in America and the totalitarian philosophy elsewhere. Therein, he saw, was the danger posed by the Great Depression. Contemplating the antics of a frightened and panicky Congress in 1931, he was moved to write one of his few exclamatory headlines: "Warning! Quack Remedies Ahead!" The chief product of the depression, he said, "is a flood of prescriptions, most of which provide for some form of government action." What was needed, he argued, was austerity, hard work and patience. After five years of quack political medicine, he could point out in 1938 that the nation had shown no measurable recovery. Then came the stimulus of war in Europe, giving the innovators the chance to claim that their inflationary schemes rather than the coincidence of world war had saved the Sick Man of the West.

After seven years of what he called the "Bloodless Revolution," he was moved to ask, "What are the sources of a dictator's power?" and to answer his own question. Five controls, he said, are all that any man on horseback would need to make him the absolute ruler over his fellow man. They are:

1. Control of his savings
2. Control of production
3. Control of his wages
4. Control of his hours of work
5. Control of the prices he must pay

Any discerning reader would see for himself that all these controls already were essentially vested in the Executive Department of the government at Washington. They were to be vastly strengthened during the war years to follow, and then with the return of peace only grudgingly relaxed by entrenched politics.

ALTHOUGH he preached patience, Thorpe himself was by nature not a patient man. He had little time for pedestrian minds mouthing

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fallacies on things they did not understand. And yet through all those years he conducted the great controversy in a bland and not unkindly way. He never used the broadsword of invective as a Brann or a Mencken did. He was not corrosively skeptical in the manner of Albert Jay Nock, but could kid his adversaries good naturedly.

A well known clergyman once wrote him: "Everywhere that the Christian minister turns he finds his dearest ideals and hopes entangled in the economic life. Do you ask us to keep our hands off? In God's name, you ask too much!"

In his "Editor's Specs" column, Thorpe replied: "Business seems to be tainted with a shameful moral leprosy, and yet Dr. B. feels that his ministrations may be resented. No, Doctor, if the laying on of hands will cure business of the many ills ascribed to it, depend on the patient to stand tied."

Thorpe could never quite excuse what he regarded as the supine way in which capitalism took its flaying lying down. This inexplicable "earsplitting silence" under assault from the left-wing press, politicians, and professors, seemed to him one of the ominous signs of the times.

Businessmen are so battered down by the reiteration of agitators, he wrote, that they confess by their silence and seek to avoid the death sentence by fawning on their detractors. A reader facetiously accused him of plagiarism and to prove it quoted from Voltaire's words just 200 years before. "The nobleman may strut and cry, Such a man am I! And may look down upon a Trader with sovereign Contempt, whilst the Trader on the other side, by thus often hearing his profession treated so disdainfully, is Fool enough to blush at it."

But he remained a defender of business even when it wouldn't defend itself. On one occasion, a member of the intellectual fringe flung at him the charge that business was stupid in continuing to oppose a new order under which greater profits were being realized than ever before. This argument, Thorpe retorted, merely constituted an admission that businessmen could consider principles above profits.

LEST HIS CONSISTENCY be catalogued as that of a mere provincial "aginer," it is important to remember the things that Thorpe stood for affirmatively. In season and out, he preached the virtues of foreign trade with as few restrictions as possible and subject only to his unwillingness to deal with Soviet Russia and its bloody

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cohorts. As far back as the Harding Administration he was urging a budgetary system for the federal government — a reform realized under President Coolidge. *Nation's Business* strongly supported Secretary of Commerce Hoover's standardization program for industry.

Himself a master salesman, Thorpe believed implicitly in the merits of aggressive selling. Back in 1930 when the business barometer was falling every month and people seemed to take a sadistic pleasure in repeating and magnifying dolorous news, he chided his readers in this fashion: "Is our vaunted American selling only a fair weather phenomenon? Does it cave in, crumple up, and take the count at the first blow? It would seem so."

He stood as a positive force for the free market and free competition, between businesses, industries, individuals, and in the clash of ideologies and faiths. In his relentless opposition to government restrictions on individualism he may not always have been strategic, but he was invariably consistent with his guiding principles.

To him the current conflict was simply "the age-old struggle between two groups — those who produce wealth and those who waste wealth," as he once told the Chicago Association of Commerce. This suggests the mordant remark of H. L. Mencken, made about the same time, that "there are now just two classes of men — those who work for their livings and those who vote for them."

Again, Thorpe surveyed the American scene and saw tragic spectacles: "men forging their own chains, planning the less abundant life, demoting the general welfare, and working to lower the standards of living to those of other politics-ridden countries of the world."

All forms of government ownership, whether it meant that Uncle Sam was to operate a laundry, or a great chain of TVA power plants, or a model Tugwelltown with cheap rent for a selected few, were socialism and an ultimate drag on progress, said this Jeremiah of the thirties. He chided citizens for abandoning their principles and rushing to Washington to beg for federal aid for local and regional booster projects.

AT THE TIME of his retirement he had built up the magazine's paid circulation from 6,000 to 450,000. More than that, he had made it the most articulate voice of conservatism in the land. It was the reserve built up by *Nation's Business* that enabled the National Chamber from 1936-39 to conduct

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its nationwide campaign on behalf of free enterprise with the slogan, "What Helps Business Helps You!"

For the last ten years of his life Thorpe was Director of Business Development for Cities Service Company and editor of its company magazine, *Service*.

"Merle Thorpe? A reactionary, a chauvinist from the eighteenth century. Time marched past him!" Such was the verdict of the more dedicated liberals.

But it was a false judgment. With his vigorous pen and his always persuasive tongue he delayed and deflected and modified the collectivist revolution in America. No, he didn't stop the revolt of the masses but he did much to arouse the nation to its threat.

Talk to a passionate radical and you will find that he is as disappointed as the libertarians with the trend of events today. A black reaction to the New Order has set in, he will tell you. The pendulum has swung to the Right. Far, far too slow, for the followers of Thorpe's political and economic philosophy, but much too fast for the Marxians. For a while they thought they had it made, that they had won by default. That they were disappointed is due in some degree to the valiant voice of Merle Thorpe.

The Biggest Monopoly Of All

IN ALL THE DISCUSSION of "bigness" and "monopoly power" it is surprising that so little has been said about the Federal Government "holding company" headquartered in Washington with activities sprawling into almost every possible field, with a collection of "monopolies" beyond parallel in any private enterprise, with a greed for undertaking new things that would put any private monopolist to shame, and with a power to extort taxes from the people to cover losses and finance expansion. Just one of the major government monopolies, the Agriculture Department with its subsidiary corporations, adds billions upon billions of dollars to the nation's food bill every year. It is a strange paradox that, while the Government goes about its business of taxing the people to deprive them of cheaper bread and milk, butter and eggs, and meat and potatoes, it hauls into court, time and again, a grocery chain whose achievement has been to reduce the costs of food distribution about as low as they can go.

National City Bank Letter, July 1950

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AMERICA:
An Adventure in Seven Live Ideas

Edwin Barlow Evans

WHEN our indomitable Founding Fathers crossed the Atlantic Ocean to the eastern shores of the Western Hemisphere, they brought a cargo of five live ideas:

- The Greek Idea: The Primacy of Reason
- The Hebrew-Christian Idea: The Primacy of Soul
- The Roman Idea: The Primacy of Law
- The Medieval Idea: The Primacy of Moral Responsibility
- The Renaissance Idea: The Primacy of the Individual

Throughout the dark and bitter agony of their titanic struggle with George III and also in their superhuman labors to conquer a vast and virgin continent, their fertile brains evolved two more live ideas:

- The Revolutionary Idea: The Primacy of Unalienable Rights
- The Frontier Idea: The Primacy of Freedom

So this new order of ages, our republic, is a world-shaking adventure in seven live ideas.

I. The Greek Idea: The Primacy of Reason

The Greeks clung tenaciously to the idea that man is a rational animal. Reason is the "lord over will," not will the "lord over reason" which is the philosophy of Schopenhauer and his disciple Nietzsche. The ethical office of reason is to control and govern the actions of the individual. Consequently, reason is inherently nobler than emotion, appetite, and will.

The Greeks refused to surrender to blind chance and inexorable destiny. They believed in knowledge for the sake of knowledge — the endless search for the true, the beautiful, and the good. Spontaneity of consciousness was the supreme guide of their lives.

II. The Hebrew-Christian Idea: The Primacy of Soul

The central idea of Christianity is the individual soul born to immortality with the faculty of free

Dr. Evans, professor, philosopher, poet, lecturer, died in 1954. This article is condensed from an unpublished manuscript.

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will, which also includes the possibility of sin and error. Yet at the same time, the individual is enabled to strive toward salvation as his heritage.

Jesus asked the question that revalued all questions: "What shall it profit a man if he shall gain the whole world and lose his soul?"

Jesus, the Way Shower, taught us the respect and reverence for personality and that the kingdom of God is within, the value of inner poise. "He that ruleth his own spirit is greater than he that taketh a city."

III. The Roman Idea: The Primacy of Justice and Law

Edith Hamilton, in her brilliant book, *The Roman Way*, tells us that "law is a Roman political concept. The Greeks theorized; the Romans translated their theories into action." The Romans affirmed a moral order in the universe. They called it JUS — an order binding on the members of the community, both human and divine.

Law is the practical application of the concept of justice. Civilization is upheld by law. Law puts moral sanctions above force. Law curbs injustice, the child of force.

The Romans held tenaciously to the civic concept of man as a person, an entity. This idea dominates the Epistles of Paul. When the Apostle to the Gentiles was in danger of personal violence at the hands of the mob, he appealed to Festus, the Roman Governor, for the protection of impersonal justice.

> . . . If there be none of these things whereof these accuse me, no man may deliver me unto them. I appeal unto Caesar.
>
> Then Festus . . . answered, Hast thou appealed unto Caesar? unto Caesar shalt thou go.
>
> ACTS 25:11-12

IV. The Medieval Idea: The Primacy of Moral Responsibility

Two hundred years before Martin Luther nailed his theses on the door of the cathedral of Wittenberg, John Wyclif made three historic decisions: he organized the English middle class into conventicles for prayers and worship, which later became the forerunners of the New England Town Meeting, the germ of free assemblage. Secondly, Wyclif declared that no individual, king, or church dare interfere between an individual and his moral responsibility and that there are some matters that each individual must think for himself. This led to the doctrine of private judgment which set the mind free and made the citizen with his consent to be governed. This, of course, was the foundation stone of modern de-

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mocracy. As a third vital tenet, Wyclif announced that the sacraments of the church mean nothing unless the individual who accepts them knows what he is doing and what they mean. In short, man is a free sentient individual with a personal moral responsibility in matters of faith.

V. The Renaissance Idea: The Primacy of the Unconquerable Individual

The Renaissance, that educational, literary, and artistic revival that went on in Italy and the Western World during the fourteenth and fifteenth centuries, was a revolt from feudalism, other worldliness, and the theological man. It swept into being the concept of progress; it held aloft the unquenchable thirst for knowledge, power, and beauty; it laid unmistakable emphasis on the glorification of man and his achievements, material, intellectual, artistic, and spiritual.

The emergence of the individual from his ties, both natural and social, is a process which started in Italy during the Renaissance. in Italy during the Reniassance. lack of individual freedom, for man seemed to stay within the fixed boundary of his role in the social order. If he bore the stamp of peasant, craftsman, or knight, there he remained without being able to explore all possible avenues. He was not a person working at a trade but he was that trade. Gradually, as the Renaissance gave man courage to think and do new things, his awareness of self began to grow.

Jacob Burckhardt has carefully delineated the individual in medieval society in his scholarly book, *The Civilization of the Renaissance in Italy*. At first, he tells us, man thought of himself "only as a member of a race, people, party, family, corporation . . . only through some general category." But the Italian of the Renaissance emerged as "the first-born of the sons of Modern Europe, the first individual."

VI. The Revolutionary Idea: The Primacy of Unalienable Rights

The essence of the American way of life is distilled to two words — *unalienable rights*. Let us review them in their proper setting.

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed."

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The term unalienable rights means that the human soul is the quality that all men everywhere have in common. Since God created each person as an individual, no man dare enslave him.

"Positive freedom as the realization of self," Erich Fromm states, "implies the full affirmation of the uniqueness of the individual. Men are born equal but they are also born different."

The uniqueness of self in no way contradicts the principles of equality. The thesis that all men are born equal implies that they share the same fundamental human qualities; they all have the same unalienable claim of freedom and happiness. The cultivation of the uniqueness of self is the essence of individuality, the essence of the American way of life.

These doctrines became the three pillars of our freedom. If a man is a sacred and inviolable person, he has the right to choose his rulers. Hence, the first pillar is representative constitutional democracy. Since a man is an inviolable person, he has the right to think, speak, assemble, and worship as he sees fit. The second pillar, therefore, is civil and religious liberty. Since man has an inviolable personality, he has the right to earn and possess for himself such portions of the God-given resources of the earth as he can win by honest toil and effort — the right of private property. Thus the third pillar of our democracy is free private enterprise.

What is the relation of private property to free enterprise? The three indispensable ingredients of free enterprise are a capital stock of raw materials and tools, an ample supply of genius, labor, and ingenuity, and above all, the insatiable incentive impulse to own and control property and to create wealth.

The American standard of living is the direct result of American right of private property and free private enterprise. A planned socialistic society and economy tends to stifle initiative, incentive, ingenuity, inventiveness, and individuality. The Welfare State tends to undermine self-reliance, self-respect, self-control, freedom, and genius. Free enterprise offers freedom but does not guarantee security. Collectivism guarantees security, but at the price of freedom. Which course will the wise man choose?

We must continually refresh our vision of the doctrine of unalienable rights:

- All men are created equal before the law and before God.
- The State is the servant of man and not the master.
- The field of personal responsibility is greater than the field of

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impersonal governmental responsibility.

• Social conscience is never a substitute for individual conscience.

• Group morality is a mockery without personal morality.

The evils of society spring from the vices of the individual. The government cannot make men good by law. Neither can it make them wealthy and happy. The government should not be called upon to do for individuals what they can and should do for themselves.

Personal security is more logical than social security because personal security is what the individual does for himself. Social security is what the State does for him. Today there is a dangerous trend in the excessive preoccupation with the idea of security, not the security of opportunity, but the security of avoiding risks. Literature, philosophy, and religion abound in praise of courage and daring but have no praise for security. Shakespeare phrased it, "Security is mortal's chiefest enemy."

Of individuals who desert ideals, ambition, and vision for comfort and ease, Emerson speaks prophetic words of wisdom:

> Then dies the man in you. Then once more perish the buds of art and poetry and science. Explore and explore. Be neither chided or flattered out of your position of perpetual inquiry. Why should you renounce your right to traverse the starlit deserts of truth for premature comfort.

Some measure of security is imperative, but if carried too far it may undermine self-reliance.

VII. The Frontier Idea: The Buoyance and Exuberance of Freedom

Frederick J. Turner, the historian, has caught the pervading influence of the frontier on the colonist in his dynamic book, *The Frontier in American History.* He says the American mind is indebted to the frontier for its vital characteristics — "that coarseness and strength combined with acuteness and inquisitiveness; that practical inventive turn of mind, quick to find expedients; that masterful grasp of material things; that restless, nervous energy, that dominant individualism; and withal that buoyancy and exuberance that comes with freedom." No more striking sketch of the American has ever been drawn, the reason for his buoyancy and exuberance that so characterizes us as a nation.

The pioneers were giants, not pigmies. One could read and reread that thrilling, wonderful saga of pioneer adventure in South Dakota *Giants in the Earth,* which

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took its theme from the sixth chapter of Genesis.

> There were giants in the earth in those days; and also after that, when the sons of God came in unto the daughters of men, and they bare children to them, the same became mighty men which were of old, men of renown.

The lives of these stalwart men and devoted women are the cornerstone of the spirit of liberty. They prove the wisdom which permeates John Stuart Mill's famous essay, *On Liberty*. For a State that makes pigmies of its men so that they become willing tools even for productive purposes will find that, from these small men, no worthy accomplishment is possible. It can never be said that our republic has dwarfed its founders and defenders.

Jefferson and his contemporaries gave the meanest man a place in the Divine Purpose, the dignity and will to shape his destiny. He was no longer an animal but the child of God. This new morality made him a human being, an end in himself.

There is a spiritual law in the universe which centers in the soul of the individual and gives his life inviolable value. From this endowment comes a divine law to guide man. Try to write the Declaration of Independence and omit the Divine source of human rights. It cannot be done. A philosophy of materialism admits no rights whatever, human or divine.

Man is not a machine, a thing, or a chunk of dirt. "People are people and not the keys of a piano," writes Dostoevsky. This is man's distinction and his dignity.

Democracy insists that man is a moral and spiritual being, living in a moral and spiritual world, governed by moral and spiritual law. Democracy is a state of mind and its ruling principle is the unalienable, God-given soul of the free individual human being.

If the day ever dawns that Americans deny the historic thesis that man is a child of God, gifted with the dignity of free will and an immortal soul, if Americans ever surrender to scientific materialism, then all the guarded gold buried at Fort Knox, the mightiest navy that sails the seven seas, and all the magnificent super-products of thousands of super-efficient mills will not save us from being engulfed in the black night of totalitarian slavery.

The Founding Fathers confronted a natural wilderness, conquered, and harnessed it. Today we confront a moral wilderness, largely the product of our blindness and folly. This new wilderness can be conquered by spiritual pioneers armed with these seven live ideas.

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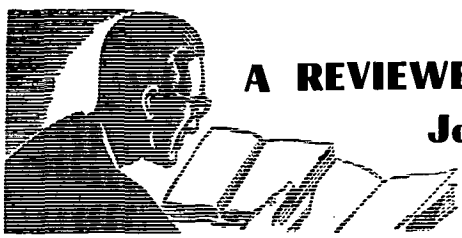

A REVIEWER'S NOTEBOOK

John Chamberlain

IS THERE actually any such thing as a science of economics? Sidney Schoeffler, in a remarkably stimulating book called *The Failures of Economics* (Harvard University Press, $4.75), goes pretty far toward saying that the subject just doesn't exist in any scientific sense of the word.

This does not mean that he considers economists to be superfluous. What it does mean, in his opinion, is that economists must accustom themselves to dealing with the consequences of data presented by antecedent phenomena. Ludwig von Mises, in a moment of brilliant insight, once remarked that economics is part of a wider study of human choice in general. Professor Schoeffler builds voluminously on the Mises perception to show that economics moves backward into everything from sociology and religion to psychology, chemistry, physics, technology, geology, geography, climate, and pure accident. All of these things form or condition the human being's expenditure of time and energy, with often incalculable economic results. Economic values are conditioned by other values: for example, a nation of ascetics would hardly develop either an economy of abundance, or the techniques and phenomena of mass production and low price.

The upshot of it all is that no economist is justified in thinking in terms of closed systems. Accurate prediction, it follows, is often fairly close to impossible: the variables that move, sometimes virtually at random, into the realm of economics are too multitudinous to be grouped into any dependable patterns of probability. That is why economists, like meteorologists, are often hopelessly wrong in the attempt to provide "information" about the future. It is also a compelling reason for rejecting the politico-economic philosophy of central planning: the impossibility of deriving accurate "information" about next week or next year renders planning futile at best, and disastrous if the supposed "information" happens to be radically wrong.

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Professor Schoeffler's method of writing is hardly calculated to appeal to the layman. His vocabulary is almost barbarously technical; his "case system" often seems the epitome of fragmentation. But if one makes the effort to rise above the book as an airman rises above the seemingly crude chaos of topography, the "grain" of the argument becomes sufficiently clear. Economists, says Schoeffler, have erred by taking their methods from sciences that have predictive possibilities, such as astronomy or engineering; or they have tried to be economic mathematicians without stopping to reflect that mathematics is a way of stating the same thing in different ways, depending on what side of the equation the statement happens to be placed.

THE ELEMENT of free will does not obtrude into astronomy or bridge building or mathematics: Halley's comet obeys no aberrant impulses, and the cables of the George Washington Bridge do not suddenly take off in flight. But free will is always affecting the data of human choice. The general cussedness of human beings may not make a mockery of the so-called laws of "statistical probability" in many instances, but, as Professor Schoeffler demonstrates, every so often statistical probability takes a fearful beating even when IBM calculators are sorting out the "facts" and combining them into "information" about the shape of things to come.

Professor Schoeffler lists the things which make economic prediction such a hazardous matter. There is, first of all, the impossibility of controlled experimentation. Secondly, there is the element of free will, which, though not susceptible of "proof," must at least be accepted as a "not-rejected" hypothesis. Then there is the general "indeterminacy" of the universe, which is especially annoying when one is dealing with unique events in a very complicated structure that is subject to a large cumulation of indeterminacies. Finally, there is the fallibility of the human observer working with a system that does not demonstrably obey conservation laws.

Even if economic forecasting could be completely founded on accurate and unemotional observation, it would defeat itself because the very act of making the prediction alters the course of future events. For example, if a mild depression is predicted by a large enough number of influential forecasters, the scramble to reduce inventories or to save money could lead to a severe de-

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pression. On the other hand, the reduction of inventories at cut rates might cause a basically exuberant people to spend their savings at an accelerated rate, thus laying the basis for a boom. Thus the same prediction might have results that could vary at 180 degrees. When the forecasters were predicting depression after World War II, the flow of war savings into consumption knocked the prognosticators galley west. Similarly, a later prediction of depression was canceled out by government orders made necessary by the fighting in Korea.

PROFESSOR SCHOEFFLER shows how economists seeking analogies in chemical systems, biophysical systems, or mechanical systems inevitably tend to fall back on such aids to an unreal simplicity as "artificial mechanization," "artificial generalization," "artificial systematization," "artificial fixation," "artificial factorization," "artificial closure," "artificial isolation," "artificial indirectness," and the mistaking of the heterogeneous for the homogeneous. Sometimes the use of models based on physical or biological science works out sufficiently well to encourage the economist in his addiction to his "tools of analysis." But often this occurs, says Schoeffler, because of luck, or because certain errors of judgment tend to cancel each other out, or because unseen and unknown "other things" happen for the moment to be equal. Ordinarily, the field of study of the social scientist does not "exhibit the required structural constancies needed for accurate prediction."

Does all this mean that the attempt to predict in economic matters must be abandoned? Surprisingly enough, Professor Schoeffler does not commit himself to any such pessimism. What he does is to counsel economists to study the sciences that are antecedent to human choice in the purely economic realm. The study of sociology, he hazards, might conceivably yield something useful regarding the rate of change of economic mores and institutions, or about the compatibility of economic phenomena with a given set of mores. (If Schoeffler were a sociologist, he might have less confidence that accurate prediction about changes in the general mores is any more possible than accurate forecasting in economics. Who, knowing England in 1859, for example, would have predicted the 1945-49 socialism of Clement Attlee?) Or, to continue with the list of useful suggestions about setting economic choice in a wider field, a study of chemistry can disclose much about the

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possible transformation of resources. And the psychologist might uncover a good deal about human motivations leading up to economic expression of one sort or another.

IF ALL THIS tends to make economics appear a hopeless hybrid, it is not cause for despair. Professor Schoeffler thinks the "art" of economics, as distinct from the "science" of economics, is very much worth practising. He himself offers some predictive theories based on advanced modern systems of symbolic logic. I lack the technical training in this field to know whether his own complicated models of prediction are any more worthy of respect than the ones he has so brilliantly demolished. But the usefulness of Professor Schoeffler's book does not rest on its own "positive" contribution to the "art" of prediction. It is enough to have pointed out the reasons for the frailty and fallibility of economists in general. For myself, it is enough to know that the assumption of free will in individual human beings negates the theory of the usefulness or even the possibility of central planning. The "art" of economics, as set forth by Schoeffler, buttresses laissez faire as a doctrine worthy of renewed general respect. For if it is impossible to know precisely where we are going, it is plain common sense to refrain from telling people what they "must" do to get there.

* * *

The Kingdom Without God: Road's End for the Social Gospel by GERALD HEARD and EDMUND A. OPITZ. Introduction by James C. Ingebretsen. Los Angeles: Foundation for Social Research. 196 pp. $2.50.

The Powers That Be: Case Studies of the Church in Politics by EDMUND A. OPITZ. Introduction by Admiral Ben Moreell. Los Angeles: Foundation for Social Research. 104 pp. $1.50. (Both books as a set, $3.00)

First, there is Religion. Then there is the Church. And inevitably there are Prophets. That seems to be the regular order of things in matters spiritual and ethical.

Just now the Prophets — always a minority, sometimes a minority of one — are raising their voices. In line with the tradition of their trade, they feel called upon to point up the inadequacies of the institutionalized Church — particularly its betrayal of Religion by making it a mere means to currently fashionable secular or political ends. The Church has always been tempted to render unto Caesar that which belongs to God, and the National Council of

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Churches (NCC) has not entirely avoided this pitfall. Its deviations are critically analyzed in the volumes under review.

The NCC is an organization of Protestant denominations dedicated to the proposition that despite theological differences there is a common ground on which all Christians can unite in achieving the Kingdom of God on earth — a naturalized version of the unachieved goal of Christianity since its beginning. The common ground is called "social action" — or the use of political force to make men "good" whether they want to be or not. What is "good"? One gets the impression that the hierarchy of the NCC would define it in about the same terms as the energumens of the New Deal — the psychological reaction of three square meals every day, a color television in every household, a well-filled clothes closet for everybody. That is to say, man is not primarily a soul but is the product of his material environment; hence, to improve him it is necessary only to better his circumstances by the well-known formula of taking from Peter to give to Paul. Christianity thus becomes an adjunct of egalitarianism. An additional item of "goodness" is compulsory peace through World Government.

All this, say the latter-day Prophets, is not Religion. It is the denial of the primacy of the individual, the liquidation of his soul, the transference of his allegiance from God to the State. In order that religion might properly influence social relations, the churchmen of today must stop playing the politician's game.

When the elders of Israel asked Samuel to set a king over them, he put the matter up to Jehovah and was told that nothing could be done about saving the Israelites, since they had abandoned first principles. Then the Lord added, "Shew them the manner of king that shall rule over them." In something of that spirit, the two little books under review "shew" the Christian reader the way things will be with Christianity if the hierarchy should have its way. It will cease to be a search for eternal verities, a guiding star for the improvement of the human spirit. Rather, it will become an instrument for the regulatory and repressive State.

But, has this not always been the way with organized religion? Religion, or faith in an order of things beyond the compass of the finite mind, is as much an essential of life as food. No man, not even a socialist or atheist, can rid himself of it. But, for reasons beyond the scope of this review, a vested interest in this integral of

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human life always arises and tends to pervert it. And always the vested interest joins with the State to perpetuate the perversion and its prerogatives. But the religious arm of the State cannot function as a true Church; this needs a climate of freedom. Only when Religion is master in its own house can it go about its job of recalling man to his true nature and destiny.

The Powers That Be is a series of "Case Studies of the Church in Politics" (a subtitle). It is a blow-by-blow account of the NCC's effort to underwrite and promote the prevailing panaceas, which include collectivism and internationalism. The final essay shows that an adequate philosophy of liberty, while it needs an understanding of the nature of political action and of economics, must be rooted in religion.

The Kingdom Without God includes a three-round debate between Mr. Opitz and his former teacher, John C. Bennett, now Dean of New York's Union Seminary and a leading social planner. This exchange illustrates the fact that the collectivists may have power, but they haven't a case which will stand up. Other essays in this volume trace the history of the Social Gospel and its various ramifications, survey the socialist literature of the past generation, and demolish the notion that the Welfare State has scriptural sanctions. On the more positive side, Gerald Heard presents an inspiring picture of what a truly contemporary Church would be like, and another essay sketches a possible theology for such a Church.

As these books make plain, the forces which would politicalize the Church are to be found in the upper reaches of the denominational and interdenominational hierarchies; they do not stem from the local clergyman and congregation. These two publications of the Foundation for Social Research are most informative and most opportune. They provide a well-rounded philosophy of Christian social responsibility from the standpoint of sound theology, economics, and political theory; and they lay a substantial religious foundation for libertarian social thought.

FRANK CHODOROV

Military Policy and National Security edited by WILLIAM W. KAUFMANN. Princeton, N. J.: Princeton University Press. 274 pp. $5.00.

This book covers a wide field and parts of it are of special interest to lovers of liberty. The introduction and chapters on "The Requirements of Deterrence," "Limited Warfare," and "Force and

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Foreign Policy" are by Professor Kaufmann. Mr. Roger Hilsman discusses "Strategic Doctrines for Nuclear War" and "Coalitions and Alliances." Professor Klaus Knorr has chapters on "U. S. Passive Air Defense" and on "Military Potential in the Nuclear Age," and Professor Gordon A. Craig warns of the pitfalls to be avoided in incorporating the new German Army into NATO.

The authors have thoughtfully studied a mass of recent military literature, and they make a number of sound points over which one would gladly linger. The editor's discussion of limited war is particularly welcome to the reviewer — who himself tried to call attention to the subject thirty years ago.

On the other hand, this very useful book lays itself open to criticism for what it does not say. Although the editor expressly disclaims for himself and his contributors any attempt to cover all probable military contingencies, still there is such a thing as trying to play Hamlet with Hamlet left out. Not a word is said as to the possibility of any real change in U. S. national policy! In other words, it is blandly assumed in the teeth of recent facts that our vital interest in the stability of the Eastern Hemisphere implies an active military policy in every nook and cranny in the globe. This assumption of course leads to the thrice repeated conclusion that U. S. military costs must rise far above their present level and continue indefinitely at that level. If that is so, then how are we to escape socialism via high taxes and increasingly rapid inflation?

But is the underlying assumption sound? Are the leaders of world communism such supermen that they could organize the Old World into a coherent anti-American block if we cut our military costs by withdrawing our armed forces from the European and Asiatic mainland? Would the territorial expansion of the communist empire necessarily mean an increase of that empire's strength? Or would it merely increase the internal strains within so vast and so heterogeneous a conglomeration? It has always done so with the would-be world conquerors of the past. These are the fundamental questions of U. S. military policy, and this book does not discuss them.

HOFFMAN NICKERSON

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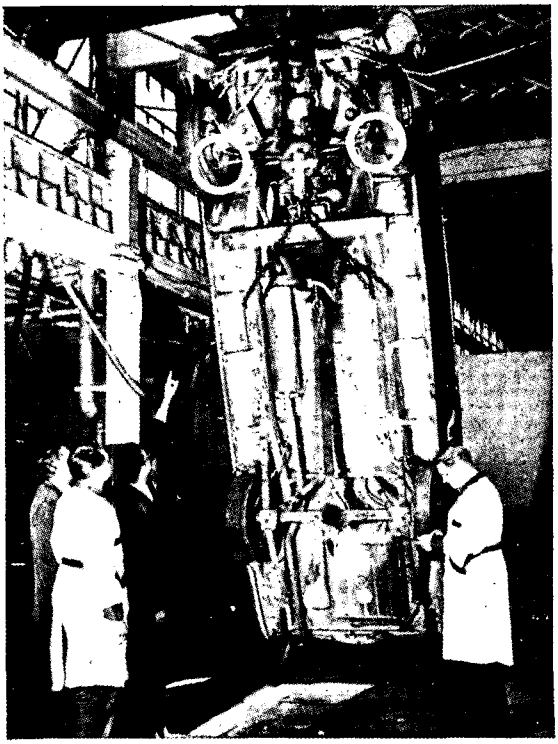
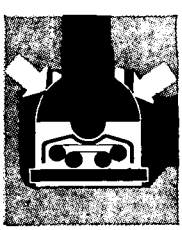
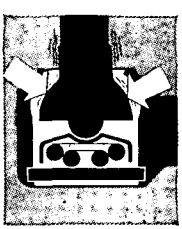


● *Circles indicate location of tie rod ends*

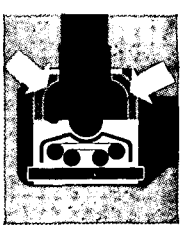
Here is how a tie rod end should fit—the stud snug in the socket. Any tie rod end starts this way. But...



Look what happens to an ordinary tie rod end. The stud and socket both become worn—steering becomes sloppy.



The extra bearing surface in the Thompson Dual Bearing tie rod end keeps the stud snug in the socket far longer.



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FROM A LIBERTARIAN'S LIBRARY

WE AMERICANS seem to believe that just because our pioneer fathers once subjugated the Indians, we in turn are obligated to keep them in the bondage of government "security." As a result, the Indian has the status of a *ward* instead of a citizen. Instead of being a responsible person, he is a dependent.

And in a like manner, if we free Americans continue to turn to government for our security, we too will surely become dependent wards instead of responsible citizens. There will be a Commissioner to control our personal affairs and our individual responsibilities. Instead of calico and blankets, we may be promised a hundred dollars every month. But since the *principle* is the same in both cases, the results will also eventually be the same.

From an article by Dean Russell in Essays on Liberty, *Vol. I. Foundation for Economic Education, Irvington-on-Hudson, N. Y. 308 pp. 50¢ paper-bound, $2.50 clothbound*

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